

WORLDREADER.ORG

DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT,
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

**HOOD &
STRONG** LLP
CERTIFIED PUBLIC ACCOUNTANTS

Worldreader.org

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Independent Auditors' Report

THE BOARD OF DIRECTORS
WORLDREADER.ORG
San Francisco, California

Opinion

We have audited the consolidated financial statements of **WORLDREADER.ORG (Worldreader or the Organization)**, which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Worldreader 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Worldreader and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Worldreader's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

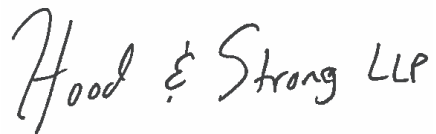
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Worldreader'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Worldreader'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on these consolidated financial statements as a whole. The accompanying supplementary information (pages 17-18) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
July 19, 2023

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Consolidated Statement of Financial Position

December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets:						
Cash and cash equivalents	\$ 868,656	\$ 2,602,256	\$ 3,470,912	\$ 1,632,398	\$ 1,806,250	\$ 3,438,648
Grants and pledges receivable, net	13,295	5,699,951	5,713,246	377,497	7,010,286	7,387,783
Software development, net	1,373,202		1,373,202	914,476		914,476
Prepaid expenses and other assets	223,900		223,900	175,851		175,851
Total assets	\$ 2,479,053	\$ 8,302,207	\$ 10,781,260	\$ 3,100,222	\$ 8,816,536	\$ 11,916,758
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 495,688		\$ 495,688	\$ 431,548		\$ 431,548
Grants payable	60,078		60,078	316,289		316,289
Unearned program revenue	24,246	\$ 221,192	245,438		\$ 326,116	326,116
Total liabilities	580,012	221,192	801,204	747,837	326,116	1,073,953
Net Assets:	1,899,041	8,081,015	9,980,056	2,352,385	8,490,420	10,842,805
Total liabilities and net assets	\$ 2,479,053	\$ 8,302,207	\$ 10,781,260	\$ 3,100,222	\$ 8,816,536	\$ 11,916,758

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions and grants	\$ 1,161,673	\$ 5,028,318	\$ 6,189,991	\$ 2,020,270	\$ 5,244,083	\$ 7,264,353
In-kind contributions	903,680		903,680	1,897,975		1,897,975
Program income	36,400	552,000	588,400	419,267	303,829	723,096
Other income	46,795		46,795	17,336		17,336
Net assets released from restrictions	5,989,723	(5,989,723)	-	4,723,999	(4,723,999)	-
Total support and revenues	8,138,271	(409,405)	7,728,866	9,078,847	823,913	9,902,760
Expenses:						
Program services	5,940,664		5,940,664	6,710,362		6,710,362
Management and general	1,688,538		1,688,538	975,402		975,402
Development	990,619		990,619	570,802		570,802
Total expenses	8,619,821	-	8,619,821	8,256,566	-	8,256,566
Change in Net Assets Before Other Changes	(481,550)	(409,405)	(890,955)	822,281	823,913	1,646,194
Other Changes in Net Assets:						
Forgiveness of Paycheck Protection Program loan			-	372,960		372,960
Employee Retention Credit	28,206		28,206	172,083		172,083
Change in Net Assets	(453,344)	(409,405)	(862,749)	1,367,324	823,913	2,191,237
Net Assets, beginning of year	2,352,385	8,490,420	10,842,805	985,061	7,666,507	8,651,568
Net Assets, end of year	\$ 1,899,041	\$ 8,081,015	\$ 9,980,056	\$ 2,352,385	\$ 8,490,420	\$ 10,842,805

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Functional Expenses

Year Ended December 31, 2022 and 2021

		Supporting Services			
	Program Services	Management and General	Development	Subtotal	2022 Total
Compensation, taxes and benefits	\$ 1,456,546	\$ 936,104	\$ 755,630	\$ 1,691,734	\$ 3,148,280
Grants	2,228,911			-	2,228,911
Donated good and services	652,324	251,356		251,356	903,680
Reading supplies and content	116,482			-	116,482
Professional fees	800,169	245,511	67,883	313,394	1,113,563
Occupancy costs	36,475	28,809	21,030	49,839	86,314
Postage, shipping and customs	233	647	2,449	3,096	3,329
Travel	35,525	68,646	19,705	88,351	123,876
Conferences, conventions and meetings	9,731	24,254	1,342	25,596	35,327
Office supplies	9,011	30,025	14,725	44,750	53,761
Business licensing and fees	101	9,546	12,262	21,808	21,909
Marketing	115,988		3,742	3,742	119,730
Dues and subscriptions	129,374	86,925	40,272	127,197	256,571
Technology and development	105,861			-	105,861
Amortization	234,718			-	234,718
Other	9,215	6,715	51,579	58,294	67,509
	\$ 5,940,664	\$ 1,688,538	\$ 990,619	\$ 2,679,157	\$ 8,619,821

		Supporting Services			
	Program Services	Management and General	Development	Subtotal	2021 Total
Compensation, taxes and benefits	\$ 998,820	\$ 663,441	\$ 437,899	\$ 1,101,340	\$ 2,100,160
Grants	2,163,864			-	2,163,864
Donated good and services	1,897,975			-	1,897,975
Reading supplies and content	226,344	60	240	300	226,644
Professional fees	697,800	167,118	23,799	190,917	888,717
Occupancy costs	42,676	35,684	26,130	61,814	104,490
Postage, shipping and customs	12,168	794	1,166	1,960	14,128
Travel	9,619	3,055	8,315	11,370	20,989
Conferences, conventions and meetings	3,942	6,956	7,903	14,859	18,801
Office supplies	4,486	13,471	2,635	16,106	20,592
Business licensing and fees	908	10,703	11,908	22,611	23,519
Marketing	58,713		4,464	4,464	63,177
Dues and subscriptions	117,202	69,557	33,959	103,516	220,718
Technology and development	317,769			-	317,769
Amortization	149,440			-	149,440
Other	8,636	4,563	12,384	16,947	25,583
	\$ 6,710,362	\$ 975,402	\$ 570,802	\$ 1,546,204	\$ 8,256,566

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Cash Flows

<i>Year Ended December 31,</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (862,749)	\$ 2,191,237
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Forgiveness of Paycheck Protection Program loan		(372,960)
Employee Retention Credit receivable		(172,083)
Amortization of license expense and software development costs	234,718	149,440
Discount on long-term receivables	104,406	
Changes in operating assets and liabilities:		
Grants and pledges receivable	1,570,131	(174,436)
Software development costs	(693,444)	(413,439)
Prepaid expenses and other assets	(48,049)	23,229
Accounts payable and accrued expenses	64,140	226,155
Grants payable	(256,211)	(144,151)
Unearned program revenue	(80,678)	91,378
Net cash provided by operating activities	32,264	1,404,370
Cash Flows from Financing Activities:		
Paycheck Protection Program loan proceeds		372,960
Net cash provided by financing activities	-	372,960
Net Change in Cash and Cash Equivalents	32,264	1,777,330
Cash and Cash Equivalents, beginning of year	3,438,648	1,661,318
Cash and Cash Equivalents, end of year	\$ 3,470,912	\$ 3,438,648

See accompanying notes to the consolidated financial statements.

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Notes to the Consolidated Financial Statements

Note 1 - Organization:

Worldreader.org (Worldreader or the Organization), established in 2010 is a non-profit organization supported by individuals and private institutions. Worldreader's mission is to get children reading so they can achieve their potential. Worldreader works with partners globally to motivate children and caregivers to complete at least 25 books a year with comprehension, increasing the volume and frequency of reading.

Worldreader has a majority-owned not-for-profit subsidiary, Digital Reading Foundation. Digital Reading Foundation was registered with the Government of India as a limited-shares private company under the Companies Act 2013, section 7 and incorporated under rule 8 of the Companies Rules, 2014 to advance the mission of Worldreader within India.

Worldreader is affiliated with organizations in Spain, Ghana, Kenya, and the United Kingdom. Worldreader does not exert control over the affiliated entities in Spain, Ghana, Kenya and the United Kingdom, therefore the activity of those are organizations are excluded from the accompanying consolidated financial statements.

The accompanying consolidated financial statements include all the amounts and operations of Worldreader.org and Digital Reading Foundation (collectively Worldreader or the Organization).

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Worldreader reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – the portion of net assets not subject to time or donor-imposed restrictions and may be expended for any purpose in performing the primary objective of Worldreader.

Net Assets With Donor Restrictions – the portion of net assets of which use by Worldreader is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Worldreader.

b. Principles of Consolidation

All significant intercompany accounts and transactions have been eliminated in consolidation.

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Notes to the Consolidated Financial Statements

c. Cash and Cash Equivalents

Worldreader considers all cash and other highly liquid investments with initial maturities of three months or less at the date of purchase to be cash equivalents.

d. Grants and Pledges Receivable

Grants and pledges receivable consist primarily of commitments made by individuals and foundations. Long term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market rates applicable in the year in which those promises are received. Amortization of the discount is recorded as contribution revenue.

Worldreader uses the allowance method to account for uncollectible contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year. Management has determined that an allowance for uncollectible receivables was not necessary at December 31, 2022 and 2021.

e. Software Development

Software development costs consist of expenditures related to the development and improvements to the on-line and application platforms used to further enhance the platform to deliver an exciting and meaningful digital reading experience. The Organization capitalizes qualified expenses under the requirements of Accounting Standards Codification (ASC) Topic 985 and ASC Topic 350 governing the treatment for both internal and external software development. All capitalized costs are amortized over the assets estimated useful lives, generally five years. As of December 31, 2022 and 2021, the total capitalized value is \$1,846,253 and \$1,152,809 and the related accumulated amortization was \$473,051 and \$238,333, respectively.

f. Revenue Recognition

Grants and contributions are recognized as revenue when received or unconditionally promised. Worldreader reports contributions as increases in net assets with donor restrictions if such grants and contributions are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In-kind contributions generally consist of donated content, advertising, commercial licenses, and professional services. Contributed services and materials are recorded at their fair market value as of the date of the gift. See Note 6.

Program income primarily represents earnings on government grants and professional service contracts and are recognized when Worldreader incurs the expenditures related to the required services or performance obligation.

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Notes to the Consolidated Financial Statements

Amounts billed or received in advance are recorded as unearned program revenue until the related services or performance obligations are fulfilled. The performance obligations vary from contract to contract; however, the majority relate to the delivery of access to digital content and training services which has been prepaid by the grantee.

The following table provides information about significant changes in the contract liabilities for the year ended December 31:

	2022	2021
Unearned program revenue, beginning of year	\$ 326,116	\$ 234,738
Revenue recognized that was included in unearned program income at beginning of year	(217,531)	(234,738)
Increase due to cash received during the year	136,853	326,116
Unearned program revenue, end of year	\$ 245,438	\$ 326,116

g. Grant Expense and Payable

Grants are made to tax-exempt organizations or equivalent entities with objectives consistent with the mission of Worldreader. Grant expenses are recorded when Worldreader makes an unconditional promise to give. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. Grant cancellations or unspent funds are recorded in the year the grant is cancelled or the funds are returned. Grants payable as of December 31, 2022 are expected to be paid in 2023.

h. Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and office supplies are allocated among program services, general and administrative and fundraising based on actual use. Facility, operational and depreciation expenses have been allocated on the basis of full-time equivalency of staffing in each function.

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Notes to the Consolidated Financial Statements

i. Income taxes

Worldreader is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization which is not a private foundation as defined by Sections 509(a)(1) and 170(b)(i)(A)(vi) of the IRC. Digital Reading Foundation is formed in India under Section 8 of the Companies Rule which designates the organization as a not-for-profit. The Digital Reading Foundation is currently in the process of applying for their official tax-exempt status.

As of December 31, 2022 and 2021, management evaluated Worldreader's tax positions and concluded that Worldreader had maintained its tax-exempt status and had no uncertain tax positions that require adjustment to the consolidated financial statements.

j. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k. Recent Accounting Pronouncements

Adopted:

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. 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 and to disclose the types of contributed nonfinancial assets received, the techniques used to value them, and the uses to which they were put.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Among other things, lessees will be required to recognize the following at the commencement date of all leases not classified as short term: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and 2) a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021 (i.e., January 1, 2022 for a calendar year entity) and interim periods within fiscal years beginning after December 15, 2022. The adoption of Topic 842 did not result in the recording of ROU lease assets and lease liabilities for the year ended December 31, 2022.

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Notes to the Consolidated Financial Statements

1. Subsequent Events

Worldreader evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2022 through July 19, 2023, the date the consolidated financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as discussed in Note 10.

Note 3 - Grants and Pledges Receivable:

Grants and pledges receivable, net consisted of the following at December 31:

	2022	2021
Individuals	\$ 5,800,440	\$ 6,092,294
Foundations		968,809
Corporations	30,000	119,440
Other receivables	13,294	233,322
	5,843,734	7,413,865
Less discount to present value	(130,488)	(26,082)
Total grants and pledges receivable, net	\$ 5,713,246	\$ 7,387,783

Receivables as of December 31, 2022 are expected to be collected as follows:

Year Ending December 31,	
2023	\$ 3,876,731
2024	1,224,278
2025	612,237
Total	\$ 5,713,246

The Organization is the recipient of certain conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - which are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2022, contributions approximating \$750,000 have not been recognized in the accompanying consolidated financial statements because the conditions on which they depend have not been met.

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Notes to the Consolidated Financial Statements

Note 4 - Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following as of December 31:

	2022	2021
Grants and programs	\$ 3,426,986	\$ 4,442,476
Time restricted	4,454,029	3,847,944
Restricted in perpetuity	200,000	200,000
Total	\$ 8,081,015	\$ 8,490,420

During 2022 and 2021, net assets were released from donor restrictions by incurring expenses or through the passage of time as follows:

	2022	2021
Purpose restricted	\$ 1,970,703	\$ 2,379,077
Time restricted	4,019,020	2,344,922
Total	\$ 5,989,723	\$ 4,723,999

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Notes to the Consolidated Financial Statements

Note 5 - Availability of Financial Assets and Liquidity:

Worldreader's financial assets available for general expenditures within one year of the date of the Consolidated Statement of Financial Position were as follows at December 31:

	2022	2021
Cash and cash equivalents	\$ 3,470,912	\$ 3,438,648
Grants and pledges receivable, net	5,713,246	7,387,783
Total financial assets	9,184,158	10,826,431
Less net assets with donor restrictions, including long term receivables	(7,881,015)	(8,290,420)
Less restricted in perpetuity	(200,000)	(200,000)
Add net assets with donor restrictions expected to be met in less than a year	5,432,279	5,287,556
	(2,648,736)	(3,202,864)
Financial assets available to meet general expenditures over the next twelve months	\$ 6,535,422	\$ 7,623,567

As part of its liquidity plan, excess cash is invested in short-term liquid products, including money market accounts and high-yield money market accounts.

Note 6 - In-Kind Contributions:

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended December 31, 2022, the amount of \$903,680 has been reflected in the consolidated financial statements primarily consisted of donated advertising of \$585,423, legal services of \$251,356, content of \$4,276, and commercial licenses of \$62,625. In-kind contributions of \$652,324 were utilized in programs and \$251,356 were utilized in management and general activities. For the year ended December 31, 2021, the amount of \$1,897,975 has been reflected in the consolidated financial statements primarily consisted of donated advertising and commercial licenses. The value of legal services, content, and commercial leases is based on market rates typically charged for those items in the normal course of business for similar services and products.

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Notes to the Consolidated Financial Statements

Note 7 - Affiliate Transactions:

Worldreader is affiliated with organizations in Spain, Ghana, Kenya and the United Kingdom. The organizations work together to coordinate worldwide activities and communications. Worldreader does not exert control over the affiliated entities, therefore the activity of those organizations are excluded from the accompanying consolidated financial statements. During the year ended December 31, 2022, Worldreader granted \$2,228,911 to these organizations. During the year ended December 31, 2021, Worldreader granted \$2,163,864 to these organizations. These awards are reflected as grants in the accompanying consolidated financial statements.

Note 8 - Future Commitments:

Worldreader leased its office facilities in San Francisco under a long-term lease that expired in June 30, 2021, at which point the lease converted to a month-to-month arrangement. Rent expense amounted to \$83,112 and \$95,114 for the year ended December 31, 2022 and 2021, respectively.

Note 9 - Concentrations of Credit Risk:

Worldreader has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash and receivables.

Periodically, throughout the year, Worldreader has maintained balances in various operating bank accounts in excess of federally insured limits. Worldreader invests its excess cash in money market funds and high-yield money market accounts with major financial institutions. As of December 31, 2022, cash subject to credit risk is approximately \$2,672,000 of cash deposits over federally insured limits.

Approximately 57% of Worldreader's revenue (excluding in-kind contributions) for the year ended December 31, 2022, was derived from contributions and grants from three donors. As of December 31, 2022, approximately 58% of the balance of grants and pledges receivable was due from two donors.

Approximately 48% of Worldreader's revenue (excluding in-kind contributions) for the year ended December 31, 2021, was derived from contributions and grants from three donors. As of December 31, 2021, approximately 59% of the balance of grants and pledges receivable was due from three donors.

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Notes to the Consolidated Financial Statements

Note 10 - Related Party Transactions:

Contributions

Collectively, certain Board members made monetary contributions totaling \$4,207,000 during the year ended December 31, 2022. Pledges receivable from certain Board members amounted to approximately \$4,718,000 at December 31, 2022.

Collectively, certain Board members made monetary contributions totaling \$3,370,000 during the year ended December 31, 2021. Pledges receivable from certain board members amounted to approximately \$4,253,000 at December 31, 2021

Relationship with Affiliates

Certain members of Worldreader's Board of Directors serve as board members of certain affiliates to which Worldreader makes grants.

Subsequent Event

On February 10, 2023, Worldreader signed an agreement with a Board member for a \$2,000,000 term loan (the Note) at an interest rate of 6.75% per annum. The Note is payable in monthly installments of principal only of \$16,650 beginning March 10, 2023 and matures February 10, 2033. Beginning, April 10, 2023, Worldreader is required to make 108 consecutive monthly payments of interest and principal until the maturity date. Interest will begin accruing on the first anniversary of the Note.

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Consolidating Statement of Financial Position (See Independent Auditors' Report)

December 31, 2022 (with comparative totals for 2021)

	Worldreader.org	Digital Reading Foundation	Eliminating Entries	Consolidated Total	2021 Total
Assets:					
Cash and cash equivalents	\$ 3,469,647	\$ 1,265		\$ 3,470,912	\$ 3,438,648
Grants and pledges receivable, net	5,714,455	1,209	\$ (2,418)	5,713,246	7,387,783
Software development, net	1,373,202			1,373,202	914,476
Prepaid expenses and other assets	221,064	2,836		223,900	175,851
Total assets	\$ 10,778,368	\$ 5,310	\$ (2,418)	\$ 10,781,260	\$ 11,916,758
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 495,688			\$ 495,688	\$ 431,548
Grants payable	61,296	\$ 1,200	\$ (2,418)	60,078	316,289
Unearned program revenue	245,438			245,438	326,116
Total liabilities	802,422	1,200	(2,418)	801,204	1,073,953
Net Assets:					
Without donor restrictions	1,894,931	4,110		1,899,041	2,352,385
With donor restrictions	8,081,015			8,081,015	8,490,420
Total net assets	9,975,946	4,110	-	9,980,056	10,842,805
Total liabilities and net assets	\$ 10,778,368	\$ 5,310	\$ (2,418)	\$ 10,781,260	\$ 11,916,758

Worldreader.org

Consolidating Statement of Activities and Changes in Net Assets (See Independent Auditors' Report)

Year Ended December 31, 2022 (with comparative totals for 2021)

	Worldreader.org	Digital Reading Foundation	Eliminating Entries	Consolidated Total	2021 Total
Support and revenue:					
Contributions and grants	\$ 6,155,571	\$ 34,420		\$ 6,189,991	\$ 7,264,353
In-kind contributions	903,680			903,680	1,897,975
Program income	587,233	1,167		588,400	723,096
Other income	46,795			46,795	17,336
Total support and revenues	7,693,279	35,587	\$ -	7,728,866	9,902,760
Expenses:					
Program services	5,913,585	27,079		5,940,664	6,710,362
Management and general	1,680,891	7,647		1,688,538	975,402
Development	990,619			990,619	570,802
Total expenses	8,585,095	34,726	-	8,619,821	8,256,566
Change in Net Assets Before Other Changes	(891,816)	861	-	(890,955)	1,646,194
Other Changes in Net Assets					
Forgiveness of Paycheck Protection Program loan				-	372,960
Employee Retention Credit	28,206			28,206	172,083
Change in Net Assets	(863,610)	861		(862,749)	2,191,237
Net Assets, beginning of year	10,839,556	3,249	-	10,842,805	8,651,568
Net Assets, end of year	\$ 9,975,946	\$ 4,110	\$ -	\$ 9,980,056	\$ 10,842,805