



# **Page Ahead Children's Literacy Program**

**Financial Statements  
Year Ended August 31, 2021**

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO  
International Limited, a UK company limited by guarantee.



# **Page Ahead Children's Literacy Program**

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Financial Statements  
Year Ended August 31, 2021

# Page Ahead Children's Literacy Program

## Contents

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Independent Auditor's Report	3-4
<b>Financial Statements</b>	
Statement of Financial Position as of August 31, 2021	6
Statement of Activities for the Year Ended August 31, 2021	7
Statement of Functional Expenses for the Year Ended August 31, 2021	8
Statement of Cash Flows for the Year Ended August 31, 2021	9
Notes to Financial Statements	10-17



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## **Independent Auditor's Report**

To the Board of Directors  
Page Ahead Children's Literacy Program  
Seattle, Washington

### ***Opinion***

We have audited the financial statements of Page Ahead Children's Literacy Program (Page Ahead), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Page Ahead as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Page Ahead 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 Page Ahead's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



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### ***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 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 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 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 Page Ahead'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 Page Ahead'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.

### ***Report on Summarized Comparative Information***

We have previously audited Page Ahead's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**BDO USA, LLP**

May 23, 2022

## Financial Statements

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# Page Ahead Children's Literacy Program

## Statement of Financial Position (with Comparative Totals for 2020)

<i>August 31,</i>	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 570,230	\$ 576,414
Investments	100,000	100,000
Receivables	50,013	159,205
Book inventory	82,800	62,759
Scholastic book fair credits receivable	-	2,518
Prepaid expenses and security deposits	1,776	1,613
<b>Total Current Assets</b>	<b>804,819</b>	<b>902,509</b>
Investments held for endowment	100,000	100,000
Long-term receivables	-	20,000
Security deposits	5,648	4,475
Office equipment, net	4,798	6,372
<b>Total Assets</b>	<b>\$ 915,265</b>	<b>\$ 1,033,356</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 21,533	\$ 20,768
<b>Total Current Liabilities</b>	<b>21,533</b>	<b>20,768</b>
Long-term debt	-	53,142
<b>Total Liabilities</b>	<b>21,533</b>	<b>73,910</b>
<b>Net Assets</b>		
Without donor restrictions	717,218	611,263
With donor restrictions	176,514	348,183
<b>Total Net Assets</b>	<b>893,732</b>	<b>959,446</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 915,265</b>	<b>\$ 1,033,356</b>

*See accompanying notes to financial statements.*

# Page Ahead Children's Literacy Program

## Statement of Activities (with Comparative Totals for 2020)

Year Ended August 31,	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and Revenue</b> (excluding in-kind revenue)				
Contributions - general public	\$ 218,519	\$ -	\$ 218,519	\$ 334,482
Contributions - foundations and corporations	298,371	263,947	562,318	574,208
Special event revenue	213,759	-	213,759	168,108
Less: Special event direct benefit to donor	(3,455)	-	(3,455)	(7,358)
Bequests	14,619	-	14,619	-
Program share income	130,839	-	130,839	71,690
Other income	3,875	-	3,875	3,102
Net assets released from restrictions	435,616	(435,616)	-	-
<b>Total Support and Revenue</b>	<b>1,312,143</b>	<b>(171,669)</b>	<b>1,140,474</b>	<b>1,144,232</b>
<b>Expenses</b>				
Program services, including purchased books	1,020,874	-	1,020,874	758,809
Management and general	107,021	-	107,021	105,376
Fundraising	107,828	-	107,828	115,007
<b>Total Expenses</b> (excluding in-kind expenses)	<b>1,235,723</b>	<b>-</b>	<b>1,235,723</b>	<b>979,192</b>
<b>Change in Net Assets before In-Kind Activities</b>	<b>76,420</b>	<b>(171,669)</b>	<b>(95,249)</b>	<b>165,040</b>
<b>In-Kind Activities and Scholastic Book Fair Credits</b>				
Books donated	35,782	-	35,782	52,307
Books received in-kind and distributed	(59,389)	-	(59,389)	(90,405)
Scholastic book fair credits	-	-	-	2,065
<b>Net In-Kind Activities</b>	<b>(23,607)</b>	<b>-</b>	<b>(23,607)</b>	<b>(36,033)</b>
<b>Change in Net Assets from Operating Activities</b>	<b>52,813</b>	<b>(171,669)</b>	<b>(118,856)</b>	<b>129,007</b>
<b>Paycheck Protection Program</b>				
Loan forgiveness	53,142	-	53,142	-
<b>Total Change in Net Assets</b>	<b>105,955</b>	<b>(171,669)</b>	<b>(65,714)</b>	<b>129,007</b>
<b>Net Assets, beginning of year</b>	<b>611,263</b>	<b>348,183</b>	<b>959,446</b>	<b>830,439</b>
<b>Net Assets, end of year</b>	<b>\$ 717,218</b>	<b>\$ 176,514</b>	<b>\$ 893,732</b>	<b>\$ 959,446</b>

*See accompanying notes to financial statements.*

## Page Ahead Children's Literacy Program

### Statement of Functional Expenses (with Comparative Totals for 2020)

Year Ended August 31,	2021			2020		
	Program Services	Management and General	Fundraising	Total	2021	2020
Cost of purchased books	\$ 708,771	\$ -	\$ -	\$ 708,771	\$ 708,771	\$ 476,996
Salaries and related expenses	200,193	52,472	92,246	344,911	344,911	322,809
Occupancy	70,520	7,157	2,317	79,994	79,994	76,438
Other	38,391	15,103	12,265	65,759	65,759	61,270
Professional fees and contract services	2,999	29,002	1,000	33,001	33,001	39,466
Special event venue expenses	150	-	3,305	3,455	3,455	7,358
Depreciation	-	3,287	-	3,287	3,287	2,213
<b>Total Expenses, excluding in-kind expenses</b>	<b>1,021,024</b>	<b>107,021</b>	<b>111,133</b>	<b>1,239,178</b>	<b>1,239,178</b>	<b>986,550</b>
Less: Direct benefit to donor	(150)	-	(3,305)	(3,455)	(3,455)	(7,358)
<b>Total expenses included in expense section on the statement of activities</b>	<b>1,020,874</b>	<b>107,021</b>	<b>107,828</b>	<b>1,235,723</b>	<b>1,235,723</b>	<b>979,192</b>
In-kind expenses	59,389	-	-	59,389	59,389	90,405
<b>Total Expenses - 2021</b>	<b>\$ 1,080,263</b>	<b>\$ 107,021</b>	<b>\$ 107,828</b>	<b>\$ 1,295,112</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses - 2020</b>	<b>\$ 849,214</b>	<b>\$ 105,376</b>	<b>\$ 115,007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,069,597</b>

See accompanying notes to financial statements.

## Page Ahead Children's Literacy Program

### Statement of Cash Flows (with Comparative Totals for 2020)

Year Ended August 31,	2021	2020
<b>Cash Flows from (for) Operating Activities</b>		
Change in net assets	\$ (65,714)	\$ 129,007
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,287	2,213
Gain on forgiveness of Paycheck Protection Program loan	(53,142)	-
Changes in operating assets and liabilities		
Receivables	129,192	(147,226)
Book inventory	(20,041)	24,110
Scholastic book fair credits receivable	2,518	6,992
Prepaid expenses and security deposits	(1,336)	4,024
Accounts payable and accrued expenses	765	(3,995)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>(4,471)</b>	<b>15,125</b>
<b>Cash Flows for Investing Activity</b>		
Purchases of property and equipment	(1,713)	(5,394)
<b>Cash Flows from Financing Activity</b>		
Proceeds from Paycheck Protection Program Loan	-	53,142
<b>Net Change in Cash</b>	<b>(6,184)</b>	<b>62,873</b>
<b>Cash, beginning of year</b>	<b>576,414</b>	<b>513,541</b>
<b>Cash, end of year</b>	<b>\$ 570,230</b>	<b>\$ 576,414</b>

*See accompanying notes to financial statements.*

# Page Ahead Children's Literacy Program

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Nature of Organization/Activities*

Page Ahead Children's Literacy Program (Page Ahead) was incorporated as a nonprofit corporation on March 22, 1993, under the laws of the State of Washington, to provide literacy services to at risk children. Page Ahead, also known as Books for Kids, accomplishes its mission of promoting literacy primarily through the following programs (metrics stated below are unaudited):

- Book Up Summer aims to mitigate the summer learning loss experienced primarily by children from low-income families. This evidence-based program is designed to increase access to books, inspire children to read by allowing them to choose the books they want and, ultimately, reduce the literacy achievement gap in Washington. Through Book Up Summer, 17,272 students in grades K-2 chose nearly 207,408 books to take home to read over the summer.
- The Books for Kids program gives new books to children at motivational events in collaboration with partner sites. In the past year, Page Ahead distributed approximately 6,287 new books to approximately 1,342 at risk children. Sites are selected based upon the need of the population served at each site.
- The Family Involvement Program provides educational support for parents and encourages early language development in children. Through story times, trained volunteers engage preschool and kindergarten students in positive reading experiences for learners of all types.
- Page Ahead's newest program, Story Leaders, empowers families in need through literacy training and access to books. Last year, more than 880 children and families in need received nearly 7,700 new books.

Page Ahead has its main office facilities in Seattle, Washington, and operates throughout Washington state. Support for Page Ahead comes from monetary and in-kind donations from individuals, corporations, municipalities, and foundations.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

#### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Page Ahead reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions and certain grants are recorded depending on the existence and/or nature of any donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

# Page Ahead Children's Literacy Program

## Notes to Financial Statements

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### ***Recent Accounting Pronouncement Adopted***

Effective September 1, 2020, Page Ahead adopted the provisions of Accounting Standards Update 2014-09, Revenue from Contracts with Customers, commonly referred to as Accounting Standards Codification (ASC) Topic 606 (Topic 606), issued by the Financial Accounting Standards Board (FASB). The pronouncement was issued to clarify the principles for recognizing revenue and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when, or as, the organization satisfies a performance obligation

Page Ahead applies the five-step model to contracts with customers when it is probable that Page Ahead will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer.

Page Ahead adopted the requirements of Topic 606 using the modified retrospective method applied only to contracts that were not completed at the date of adoption, September 1, 2020. Under this transition method, results for reporting periods beginning after August 31, 2020, are presented under Topic 606, while prior-period amounts are not adjusted and continue to be reported in accordance with Page Ahead's historical accounting policies under FASB ASC Topic 605, Revenue Recognition (Topic 605). At adoption, Topic 606 did not have a material impact on Page Ahead's financial statements as the method and timing of revenue recognition did not significantly change under Topic 606 as compared to the recognition methods under the previously applicable revenue recognition guidance. As such, no cumulative transition adjustment to net assets was necessary at September 1, 2020. Program share revenue is the only revenue stream subject to Topic 606. Grant and contribution revenue is outside the scope of Topic 606.

Program share revenue is recognized at the point in time that the performance obligations are satisfied, which is typically when the activity occurs. Program share revenue for the years ended August 31, 2021 and August 31, 2020 were \$130,839 and \$71,690, respectively.

### ***Net Assets with Donor Restrictions***

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as time restrictions are met.

# Page Ahead Children’s Literacy Program

## Notes to Financial Statements

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Net assets with donor restrictions are as follows at August 31:

	2021	2020
<b>Net Assets with Purpose or Time Restrictions</b>		
Book Up Summer Program	\$ 55,394	\$ 227,063
Story Leaders Program	21,120	21,120
<b>Net Assets with Perpetual Restrictions</b>		
Perpetual endowment restrictions	100,000	100,000
	<b>\$ 176,514</b>	<b>\$ 348,183</b>

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### *Revenue Recognition*

#### **Contribution Revenue**

Contributions, including pledges receivable, are recognized as they are made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Many individuals donate significant amounts of time to the program operations of Page Ahead. The value of their contributed time is not reflected in the accompanying financial statements because their tasks do not require specialized skills. About 2,260 and 3,200 hours were donated during the years ended August 31, 2021 and 2020, respectively. The decline in volunteer hours is the result of both the school closures and restrictions on gathering due to the global COVID-19 pandemic. This total does not include hours donated by the Board of Directors or its committees.

#### **Special Event Revenue**

Page Ahead hosts events to raise funds for its operations and recognizes revenue from the events when the event takes place or when donations are received.

#### **Bequests**

Page Ahead recognizes revenue from bequests when (1) the bequest becomes an unconditional promise to give and (2) when the amount to be received can be estimated. This is usually when the deceased person’s will has gone through probate.

#### **Program Share Income**

Program share income consists primarily of an administrative fee collected from participating schools or school districts. The fee is approximately \$5 per eligible child currently and represents a fraction of the cost of providing the program to each school. The fee is billed to schools in the spring of each school year after the number of participating children at each location is determined. Program income is recognized when the book fair takes place (point in time).

# Page Ahead Children's Literacy Program

## Notes to Financial Statements

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### **Scholastic Book Fair Credits**

Scholastic book fair credits are generated through book fairs held by an unrelated company, Scholastic Corporation (Scholastic). Area companies host book fairs for their employees and for each book sold, Page Ahead receives half the sales price as credits from Scholastic to purchase books. Revenue is recognized when the credits are acknowledged by Scholastic.

### **Cash**

Page Ahead's cash balances include checking and savings accounts with federally insured banking institutions. Page Ahead actively monitors cash balances so that they do not exceed federally insured limits.

### **Investments**

Investments consist of certificates of deposit at both August 31, 2021 and 2020. Investments are reported at cost plus accrued interest in the statement of financial position.

### **Receivables**

Receivables as of August 31, 2021 and 2020, consist primarily of pledges and grants receivable. Management reviews the collectability of receivables on a periodic basis and determines the appropriate amount of any allowance. Page Ahead charges off receivables to the allowance when management determines that a receivable is not collectible. No allowance was considered necessary at August 31, 2021 or 2020, and all receivables are expected to be collected during the next year.

### **Book Inventory**

Inventory consists of new books that are either purchased or donated. Purchased books are valued at the cost Page Ahead pays to purchase the books. Donated books are valued using a weighted average. This value results in an amount that is lower than the net realizable value of the book inventory.

### **Office Equipment and Depreciation**

Fixed assets are stated at cost, if purchased, and at estimated fair value, if donated, and are depreciated on the straight-line method over the estimated useful lives of the assets. Fixed assets with a cost greater than \$500 are capitalized. Donations of fixed assets are recognized as unrestricted support in the year of the donation.

### **Federal Income Tax**

Page Ahead is a nonprofit organization as defined in Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a).

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been

# Page Ahead Children’s Literacy Program

## Notes to Financial Statements

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allocated among the programs and supporting services benefitted. The expenses that are allocated include salaries and related expenses which are allocated on the basis of estimates of time and effort, and occupancy costs which are allocated on a square footage basis. Professional fees and contract services expenditures are based on actual expenses charged to each program or supporting function.

### *Reclassifications*

Certain amounts from the prior year have been reclassified to conform with the current-year presentation.

### *Subsequent Events*

Page Ahead has evaluated subsequent events through the date these financial statements were available to be issued, which was May 23, 2022.

## 2. Liquidity and Availability of Resources

Page Ahead strives to maintain liquid financial assets sufficient to cover 120 days of general expenditures. Increasing cash reserves are used to expand future programming sustainably. Financial assets in excess of daily cash requirements are invested in certificates of deposit.

Page Ahead has net assets with donor restrictions that are designated for activities planned and budgeted for during the next 12 months.

The following table reflects Page Ahead’s financial assets as of August 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor time restrictions greater than one year.

	2021	2020
<b>Financial Assets at Year-End</b>		
Cash	\$ 570,230	\$ 576,414
Investments	200,000	200,000
Receivables	50,013	179,205
<b>Total Financial Assets</b>	<b>820,243</b>	<b>955,619</b>
Less: Amounts not available to be used within one year		
Investments held for endowment	(100,000)	(100,000)
Net assets with donor restrictions greater than one year	(76,514)	(102,448)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 643,729</b>	<b>\$ 753,171</b>

# Page Ahead Children's Literacy Program

## Notes to Financial Statements

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### 3. Concentrations

For the year ended August 31, 2021, Page Ahead had no revenue concentrations. For the year ended August 31, 2020, 15% of Page Ahead's total revenue was from one donor.

### 4. Office Equipment

Office equipment consists of the following as of August 31:

	2021	2020	Estimated Useful Lives
Office equipment	\$ 37,316	\$ 47,232	3-7 years
Less: Accumulated depreciation	(32,518)	(40,860)	
<b>Net Property and Equipment</b>	<b>\$ 4,798</b>	<b>\$ 6,372</b>	

### 5. Line of Credit

Page Ahead has an unsecured line of credit agreement with a bank for \$40,000 for both 2021 and 2020. The agreement has no stated expiration date. Borrowings would bear interest at the daily finance charge rate plus 2.75% as determined by the financial institution. There were no outstanding borrowings as of August 31, 2021 or 2020.

### 6. Commitments

Page Ahead occupies office space under an operating lease expiring in July 2026. The lease contains escalating lease rates and requires Page Ahead to pay its pro rata share of triple net charges such as property taxes and insurance. Rent expense (including triple net charges) for office space was \$76,730 and \$72,697 in fiscal years 2021 and 2020, respectively. Future minimum lease payments (excluding triple net charges) are as follows:

<i>Years Ending August 31,</i>	
2022	\$ 67,373
2023	69,449
2024	71,532
2025	73,678
2026	69,391
<b>Total</b>	<b>\$ 351,423</b>

# Page Ahead Children's Literacy Program

## Notes to Financial Statements

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### 7. Retirement Plan

Page Ahead has an IRA SIMPLE Master plan that covers substantially all employees. Employer matching contributions may range from 1% to 3% of compensation for each calendar year and are 100% vested at all times. Employer contributions amounted to \$8,722 in the fiscal year 2021 and \$7,343 in the fiscal year 2020. These amounts represent matching contributions based on participants' elective deferrals.

### 8. Endowment

Page Ahead's endowment consists of funds donated subject to a donor-imposed restriction that the principal amount donated must be maintained in an investment account and cannot be used by Page Ahead, but the income earned on the account may be used for purposes specified by the donor. As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Board of Directors of Page Ahead has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Page Ahead classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, plus (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted is classified as unappropriated endowment earnings until those amounts are appropriated for expenditure by Page Ahead in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Page Ahead considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of Page Ahead
- The investment policies of Page Ahead

#### *Return Objectives and Risk Parameters*

Page Ahead has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Page Ahead must hold in perpetuity or for a donor-specified period.

#### *Strategies Employed for Achieving Objectives*

To satisfy its objectives, Page Ahead relies on a total return strategy in which investment returns are achieved through current yield (interest). Page Ahead targets fixed-income investments to achieve its return objectives within prudent risk constraints. The endowment investments are made

# Page Ahead Children's Literacy Program

## Notes to Financial Statements

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exclusively with certificates of deposit (institution rated AA or better with maturities of 12 months or less).

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

Page Ahead has a policy of retaining principal and distributing any income. The distributions are to be made annually in an amount equal to the income from the previous year. If the income is not to be distributed immediately following the year in which they were earned, then the amount equal to the income shall be retained within the endowment fund for distribution within the next two years.

### *Summary of Endowment Activity*

Endowment net assets consisted of \$100,000 of donor-restricted endowment funds and are classified as net assets with donor restrictions at both August 31, 2021 and 2020.

There were no changes in endowment net assets during the years ended August 31, 2021 or 2020.

The endowment fund as of August 31, 2021 and 2020, is invested entirely in certificates of deposit. Earnings during 2021 and 2020 were not significant.

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires. There were no deficiencies of this nature at August 31, 2021 or 2020.

## **9. Note Payable**

In May 2020, Page Ahead received a loan from the Paycheck Protection Program (PPP) implemented from the CARES Act. The note bears interest at 1% and is unsecured. Page Ahead received full forgiveness of the outstanding principal and interest in June 2021. The proceeds have been recorded as other income during fiscal year 2021.

The Small Business Administration (SBA) has stated that certain PPP loans will be subject to review by the SBA for compliance with program requirements. If the SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request or the subsequent use of the loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties. While Page Ahead believes the loan was properly obtained and forgiven, there can be no assurance regarding the outcome of an SBA review. Page Ahead has not accrued any liability associated with the risk of an adverse SBA review.