



**AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2022**

**SIT STAY READ! INC.**  
**Audit Report**  
**For the Year Ended June 30, 2022**

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# Selden Fox

Accounting for your future

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
SIT STAY READ! INC.  
Chicago, Illinois

### Opinion

We have audited the accompanying financial statements of **SIT STAY READ! INC.** which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SIT STAY READ! INC. as of June 30, 2022 and 2021, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SIT STAY READ! INC. 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 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 SIT STAY READ! 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**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SIT STAY READ! 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SIT STAY READ! INC.'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.

*Selden Fox, Ltd.*

August 15, 2023

**SIT STAY READ! INC.**  
**Statement of Financial Position**  
**June 30,**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 214,505	\$ 361,028
Investments	48,422	44,865
Contributions receivable	3,200	20,000
Employee retention tax credit receivable	76,105	-
Prepaid expenses	2,106	17,343
Furniture and equipment less accumulated depreciation of \$9,916 (\$9,889 in 2021)	57	84
<b>Total assets</b>	<b>\$ 344,395</b>	<b>\$ 443,320</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 6,456	\$ 4,811
Accrued salaries	6,746	4,247
Accrued vacation	14,251	14,424
<b>Total liabilities</b>	<b>27,453</b>	<b>23,482</b>
Net assets:		
Net assets without donor restrictions	296,242	359,338
Net assets with donor restrictions	20,700	60,500
<b>Total net assets</b>	<b>316,942</b>	<b>419,838</b>
<b>Total liabilities and net assets</b>	<b>\$ 344,395</b>	<b>\$ 443,320</b>

See accompanying notes.

**SIT STAY READ! INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<b>Total</b>
Revenues, gains and other support:			
Donations	\$ 120,011	\$ 3,200	\$ 123,211
Grants	114,000	17,500	131,500
In-kind donations	37,448	-	37,448
Net investment loss	(1,371)	-	(1,371)
Other income	251	-	251
Employee retention tax credit	76,105	-	76,105
Net assets released from restrictions	60,500	(60,500)	-
<b>Total revenues, gains and other support</b>	<b>406,944</b>	<b>(39,800)</b>	<b>367,144</b>
Fund-raiser revenues:			
Special event revenue	133,889	-	133,889
Related special event expense	(45,671)	-	(45,671)
<b>Net fund-raiser revenues</b>	<b>88,218</b>	<b>-</b>	<b>88,218</b>
<b>Total revenues</b>	<b>495,162</b>	<b>(39,800)</b>	<b>455,362</b>
Expenses:			
Program services	384,531	-	384,531
Management and general	73,325	-	73,325
Fund-raising	100,402	-	100,402
<b>Total expenses</b>	<b>558,258</b>	<b>-</b>	<b>558,258</b>
<b>Changes in net assets</b>	<b>(63,096)</b>	<b>(39,800)</b>	<b>(102,896)</b>
Net assets, beginning of the year	359,338	60,500	419,838
Net assets, end of the year	\$ 296,242	\$ 20,700	\$ 316,942

See accompanying notes.

**SIT STAY READ! INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and other support:			
Donations	\$ 123,727	\$ 20,000	\$ 143,727
Grants	196,200	43,500	239,700
In-kind donations	34,650	-	34,650
Gain on forgiveness of Paycheck Protection Program loans	168,807	-	168,807
Net investment income	4,471	-	4,471
Other income	101	-	101
Net assets released from restrictions	34,146	(34,146)	-
<b>Total revenues, gains and other support</b>	<b>562,102</b>	<b>29,354</b>	<b>591,456</b>
Fund-raiser revenues:			
Special event revenue	84,144	-	84,144
Related special event expense	(12,913)	-	(12,913)
<b>Net fund-raiser revenues</b>	<b>71,231</b>	<b>-</b>	<b>71,231</b>
<b>Total revenues</b>	<b>633,333</b>	<b>29,354</b>	<b>662,687</b>
Expenses:			
Program services	413,816	-	413,816
Management and general	66,946	-	66,946
Fund-raising	130,085	-	130,085
<b>Total expenses</b>	<b>610,847</b>	<b>-</b>	<b>610,847</b>
<b>Changes in net assets</b>	<b>22,486</b>	<b>29,354</b>	<b>51,840</b>
Net assets, beginning of the year	336,852	31,146	367,998
Net assets, end of the year	\$ 359,338	\$ 60,500	\$ 419,838

See accompanying notes.

**SIT STAY READ! INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**

	Literacy Program	Management and General	Fund-raising	Total
Expenses:				
Salaries and wages	\$ 277,598	\$ 46,107	\$ 76,315	\$ 400,020
Employee benefits	6,805	575	383	7,763
Payroll taxes	21,489	3,546	5,954	30,989
<b>Total personnel costs</b>	305,892	50,228	82,652	438,772
Rent and utilities	25,497	2,372	1,779	29,648
Materials	18,670	-	-	18,670
Accounting	-	9,959	-	9,959
Advertising	-	-	1,485	1,485
Office expenses	144	127	2,575	2,846
Information technology	7,023	653	5,232	12,908
Insurance	8,959	833	625	10,417
Professional fees	-	-	1,555	1,555
Professional development	16,925	2,543	1,499	20,967
Personnel	627	58	44	729
Travel and entertainment	-	218	-	218
Bank and credit card fees	-	190	2,956	3,146
Volunteers	794	-	-	794
Governance	-	1,415	-	1,415
Depreciation	-	27	-	27
Other	-	4,702	-	4,702
<b>Total expenses</b>	<b>\$ 384,531</b>	<b>\$ 73,325</b>	<b>\$ 100,402</b>	<b>\$ 558,258</b>

See accompanying notes.

**SIT STAY READ! INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	Literacy Program	Management and General	Fund-raising	Total
<b>Expenses:</b>				
Salaries and wages	\$ 269,049	\$ 43,523	\$ 83,088	\$ 395,660
Employee benefits	6,146	994	1,898	9,038
Payroll taxes	20,209	3,269	6,241	29,719
<b>Total personnel costs</b>	295,404	47,786	91,227	434,417
Rent	18,575	1,729	1,296	21,600
Utilities	5,799	539	405	6,743
Telephone	378	35	26	439
Insurance	4,891	1,141	2,120	8,152
Consulting	-	-	16,750	16,750
Materials	59,163	36	717	59,916
Postage and mailing	-	-	1,733	1,733
Volunteers	3,933	-	-	3,933
Website and IT services	1,325	309	574	2,208
Accounting	-	10,001	-	10,001
Marketing	300	-	200	500
Professional fees	16,661	3,622	6,732	27,015
Governance	-	41	-	41
Professional development	6,779	1,582	2,938	11,299
Bank and credit card fees	-	67	5,359	5,426
Travel and entertainment	120	-	6	126
Depreciation	23	2	2	27
Other	465	56	-	521
<b>Total expenses</b>	<b>\$ 413,816</b>	<b>\$ 66,946</b>	<b>\$ 130,085</b>	<b>\$ 610,847</b>

See accompanying notes.

**SIT STAY READ! INC.**  
**Statement of Cash Flows**  
**For the Year Ended June 30,**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (102,896)	\$ 51,840
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain on forgiveness of PPP loans	-	(168,807)
Depreciation	27	27
Unrealized (gain) loss on investments	1,496	(4,402)
Reinvested interest income	(110)	-
Contribution of securities	(4,943)	(1,413)
Cash from other operating activities:		
Contributions receivable	16,800	5,146
Employee retention tax credit receivable	(76,105)	-
Prepaid expenses	15,237	(2,927)
Accounts payable and accrued expenses	3,971	11,239
Deferred revenue	-	(700)
<b>Net change from operations</b>	<b>(146,523)</b>	<b>(109,997)</b>
Cash flows from financing activities -		
Paycheck Protection Program loan proceeds	-	85,607
<b>Net change in cash and cash equivalents</b>	<b>(146,523)</b>	<b>(24,390)</b>
Cash and cash equivalents, beginning of the year	<u>361,028</u>	<u>385,418</u>
Cash and cash equivalents, end of the year	<u>\$ 214,505</u>	<u>\$ 361,028</u>

See accompanying notes.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements**

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**1. Summary of Significant Accounting Policies**

**General** – SIT STAY READ! INC. (Organization) is a not-for-profit organization created to improve literacy skills and foster a love of learning in at-risk children. The Organization's vision is to be recognized in Chicagoland for its unparalleled expertise in providing literacy services for low-income elementary school students. The Organization is located in Chicago, Illinois.

**Basis of Presentation** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes: with donor restrictions and without donor restrictions.

**Net Assets Without Donor Restrictions** – Net assets which are available for fulfillment of the Organization's mission, and which may be expended at the discretion of management and the Board of Directors.

**Net Assets With Donor Restrictions** – Net assets which are subject to donor-imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of the Organization or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor restrictions that are met in the same year as received are reported as being received without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor imposed restrictions are released when restrictions expire (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed). Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

**Use of Estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities at the date of the financial statements and during the reporting period. Significant estimates used in the preparation of these financial statements include depreciating furniture and equipment over management's estimate of their expected useful lives. Actual results could differ from those estimates. It is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information becomes available.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Cash and Cash Equivalents** – The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments** – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statement of activities.

Investment return/(loss) is reported net in the statements of activities and consists of realized and unrealized gains and losses, less external and direct internal investment expenses. Interest and dividends and investment return are reflected in the statement of activities as income without donor restrictions or income with donor restrictions based upon the existence and nature of any donor restrictions. Interest and dividends and investment return that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the interest and dividends and investment return are recognized.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

**Fair Value and Investments** – Investments are stated at fair value, with changes in fair value recognized in net assets each period. The Organization makes estimates regarding valuation of assets measured at fair value in preparing the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A framework has been established to provide for a fair value hierarchy that is broken down into three levels based on the reliability of observable and unobservable inputs as follows:

**Level 1** – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

**Level 2** – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

**Level 3** – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Money market funds are categorized in Level 1 of the fair value hierarchy.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Contributions Receivable** – Unconditional promises to give are expected to be realized in one year or less and are classified as net assets with donor restrictions in the statement of activities. Unconditional promises to give totaled \$3,200 at June 30, 2022 (\$20,000 at June 30, 2021). The Organization considers all contributions receivable fully collectible. Accordingly, no allowance for doubtful accounts has been established at June 30, 2022 and 2021.

**Furniture and Equipment** – Betterments and replacements of major items of property are capitalized. Maintenance, repairs and minor replacements are expensed. The cost of furniture and equipment sold or retired is removed from the related furniture and equipment and accumulated depreciation accounts, and the resultant gain or loss is recorded. Depreciation of furniture and equipment is provided by the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Office and computer equipment	3 - 5 years

**Paycheck Protection Program Loan Payable** – The Organization has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470, *Debt*. Under this guidance, extinguishment of the loan would be recognized when the Organization has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration (SBA) approves the Organization's forgiveness application.

**Employee Retention Tax Credit** – The Organization records a receivable and revenue for amounts claimed under the Employee Retention Tax Credit ("ERTC") provisions of the Coronavirus Aid, Relief, and Economic Security Act, as expanded from time-to-time, as a conditional contribution in accordance with the ASC 958-605. Under ASC 958-605, revenue is recognized for contributions when conditions associated with the contribution are substantially met.

**Functional Allocation of Expenses** – Costs of providing the various services and other activities have been summarized on a functional basis in the statement of activities and are detailed by their natural classification in the statement of functional expenses. Accordingly, certain costs have been allocated to and categorized as program services, management and general, and fund-raising expenses based on direct expenses or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Income Taxes** – The Organization is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except for taxes on unrelated business income generated from unrelated or trade business activities. There was no unrelated business income for the years ended June 30, 2022 and 2021. Accordingly, no provision for income tax is included in the financial statements. The Organization's tax returns for the years ended June 30, 2019 through 2021, are open years for purposes of any future IRS or applicable state examinations.

**In-kind Contributions** – In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement enhances the presentation and disclosure requirements related to contributions of nonfinancial assets for annual periods beginning after June 15, 2021. As such, the Organization adopted the applicable provisions of this standard for the period ended June 30, 2022, through updating the presentation of the statement of activities and disclosures contained in Note 7.

In-kind contributions can include certain donated goods and services. Donated goods are recorded as revenue at fair value and a corresponding expense in the period donated goods are received. Donated services are recorded as revenue at fair value and corresponding expense in the period services were performed if (a) those professional services create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if services were not provided by donation.

The Organization occasionally receives donated program materials and donated auction items for its annual fund-raiser. The Organization records an equal amount of contribution revenue and expense for these items at fair value. During the year ended June 30, 2022, the Organization received \$37,488 of in-kind items primarily related to program services and fund-raising activities (\$35,150 for the year ended June 30, 2021). The Organization records an equal amount of in-kind donations and expense for these items at fair value.

**Subsequent Events** – Subsequent events have been evaluated through August 15, 2023, which is the date the financial statements were available to be issued.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements (cont'd)**

**2. Furniture and Equipment**

A summary of furniture and equipment at June 30, is as follows:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 4,330	\$ 4,330
Equipment	5,643	5,643
<b>Total</b>	<b>9,973</b>	9,973
Less accumulated depreciation	<u>9,916</u>	<u>9,889</u>
<b>Total furniture and equipment, net</b>	<b><u>\$ 57</u></b>	<b><u>\$ 84</u></b>

Depreciation expense was \$27 for the years ended June 30, 2022 and 2021.

**3. Net Assets**

**Net Assets With Donor Restrictions** – Net assets with donor restrictions at June 30, consist of the following:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give	\$ 3,200	\$ 20,000
Program funding	<u>17,500</u>	<u>40,500</u>
Total net assets with donor restrictions	<b><u>\$ 20,700</u></b>	<b><u>\$ 60,500</u></b>

**4. Availability and Liquidity**

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions, consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 214,505	\$ 361,028
Investments	48,422	44,865
Contributions receivable	<u>3,200</u>	<u>20,000</u>
	<b>266,127</b>	425,893
Less:		
Net assets with donor restrictions	<u>20,700</u>	<u>60,500</u>
	<b><u>\$ 245,427</u></b>	<b><u>\$ 365,393</u></b>

The Organization relies on grants and contributions to cover its expenses.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements (cont'd)**

**5. Operating Leases**

**Lessee** – The Organization is renting the space on a month-to-month basis from the City of Chicago. The agreement requires payment in the amount of one dollar for the entire term of the lease in addition to a monthly operating cost estimated at \$350, subject to future adjustments. Accordingly, the Organization has recognized an in-kind contribution of office space rent of \$21,600 during the year ended June 30, 2022 (\$21,600 during the year ended June 30, 2021). The agreement can be terminated by either party with sixty days prior written notice by either party. Total lease expense for the year ended June 30, 2022, was \$21,600 (\$21,600 for the year ended June 30, 2021).

**6. PPP Loan Payable**

On May 6, 2020, and February 6, 2021, the Organization was granted a loan in the aggregate amount of \$83,200 and \$85,607, respectively, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Under the terms of the PPP, as modified by the Paycheck Protection Program Flexibility Act (PPFPA), certain amounts of the loan may be forgiven if they are used for qualifying expenses through December 31, 2020 (“spending window”), which include payroll costs, group health care benefit costs, rent, and utilities, as described in the CARES Act. The Organization used the entire loan amounts totaling \$168,807 for qualifying expenses and met other conditions to have the loan forgiven. The loan dated May 6, 2020, was forgiven on October 30, 2020, and the loan dated February 10, 2021, was forgiven on June 22, 2021. As such, \$168,807 has been recognized as a gain on the statement of activities for the forgiven loans for the year ended June 30, 2021.

**7. Gifts in kind**

In-kind contributions consisted of the following for the periods ended June 30:

	<b>2022</b>	2021
Donated use of space	<b>\$ 21,600</b>	\$ 21,600
Donated books	<b>4,998</b>	10,000
Donated office supplies	<b>3,850</b>	-
Donated software access	<b>7,000</b>	-
Other	-	3,050
	<b>\$ 37,448</b>	\$ 34,650

All gifts in kind received by the Organization for the period ended June 30, 2022, were considered without donor restrictions and able to be used by the Organization as it determined in its mission, and for literacy program services. Donated use of space and materials are reflected in the accompanying financial statements at their fair values at the date of donation. Fair values are stated at the price that would have been charged by the donor had the Organization purchased them. Use of space is valued using the rental price per square foot of comparable properties in the area.

**SIT STAY READ! INC.**  
**Notes to the Financial Statements (cont'd)**

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**8. Uncertainties**

The Organization has claimed the ERTC and has received PPP loan forgiveness payments from the SBA. The retention of funds under these programs generally requires meeting specific eligibility criteria and compliance with certain terms and conditions and is subject to examination by the IRS and the SBA, as applicable. Any disallowed claims resulting from such examinations could become a liability. Management believes the Organization has qualified for the ERTC and has claimed the ERTC in compliance with laws, regulations, and formal guidance issued by the IRS. Management believes the Organization has also qualified to receive PPP loans and has met the requisite conditions to have the loans forgiven in full. However, there can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERTC or examine the use of PPP loans, and it is not possible to determine the effect, if any, this would have on the Organization's financial statements.

**9. Future Accounting Standards**

**Leases** – In February 2016, the Financial Accounting Standards Board released Accounting Standards Update No. 2016-02 *Leases (Topic 842)*. The revised standard is intended to increase transparency by recognizing lease assets and liabilities on the statement of financial position and enhancing the related disclosures. Under current standards, a lease was only recognized on the statement of financial position if it met the definition of a capital lease. However, under the new standard, a lessee will be required to:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

This standard will be applicable to the Organization for the year ending June 30, 2023. The Organization is in the process of evaluating the potential impacts of its adoption but has yet to determine its effect.