KIDS NEED TO READ

Inspiring Imagination

FINANCIAL STATEMENTS
(Reviewed)

YEAR ENDED MARCH 31, 2025

LOHMAN COMPANY, PLLC

Certified Public Accountants & Business Consultants

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Certified Public Accountants & Business Consultants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Kids Need to Read
Mesa, Arizona

We have reviewed the accompanying financial statements of Kids Need to Read, which comprise the statement of financial position as of March 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Kids Need to Read and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Lohman Company, PLLC

Mesa, Arizona
August 21, 2025

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KIDS NEED TO READ
STATEMENT OF FINANCIAL POSITION
March 31, 2025

ASSETS		
Current assets		
Cash	$	151,513
Contributions receivable		744
Books inventory		616,982
Total current assets		769,239
Property and equipment		
Office equipment		2,500
Vehicle		26,850
		29,350
Less accumulated depreciation and amortization		(29,350)
Total property and equipment		-
Security deposit		1,900
Right-of-use asset, net of accumulated amortization of $20,111		33,755
Total assets	$	804,894

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STATEMENT OF FINANCIAL POSITION (Continued)
March 31, 2025

LIABILITIES AND NET ASSETS		
Current liabilities		
Credit cards payable	$	6,336
Current maturities of operating lease liability		21,038
Accrued expenses		2,008
Total current liabilities		29,382
Operating lease liability		12,717
Commitments		
Net assets		
Net assets without donor restrictions		762,795
Net assets with donor restrictions		-
Total net assets		762,795
Total liabilities and net assets	$	804,894

See accompanying notes and independent accountant's review report

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STATEMENT OF ACTIVITIES
Year Ended March 31, 2025

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Summarized Total
Support and revenue			
Contributed books inventory	$ 329,998	$ -	$ 329,998
Contributions	95,565	-	95,565
Grants	131,484	-	131,484
Special event	14,669	-	14,669
Fundraising	7,394	-	7,394
Contributed services	4,003	-	4,003
Interest income	10	-	10
Total support and revenue	583,123	-	583,123
Net assets released from restrictions	-	-	-
Total support and revenue and reclassifications	583,123	-	583,123
Functional expenses			
Program services	789,154	-	789,154
Fundraising	16,149	-	16,149
General and administrative	38,801	-	38,801
Total functional expenses	844,104	-	844,104
Change in net assets	(260,981)	-	(260,981)
Net assets, beginning balance	$ 1,023,776	-	1,023,776
Net assets, ending balance	$ 762,795	$ -	$ 762,795

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STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2025

	Program Services	Support Services: Fundraising	Support Services: General and Administrative	Total
Distributed books inventory	$ 695,615	$ -	$ -	$ 695,615
Salaries	54,211	9,957	9,588	73,756
In-kind professional fees	-	-	1,400	1,400
Materials and supplies	6,144	296	1,237	7,677
Professional fees	-	-	10,682	10,682
Rent and utilities	23,811	1,035	1,035	25,881
Shipping	4,347	56	-	4,403
Payroll taxes	3,887	714	688	5,289
Fundraising fees	-	620	-	620
Promotion	-	37	-	37
Purchased services	-	1,409	6,231	7,640
Insurance	-	-	7,550	7,550
Travel	-	538	-	538
Special event	1,139	1,139	-	2,278
Other	-	348	390	738
Total functional expenses	$ 789,154	$ 16,149	$ 38,801	$ 844,104

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STATEMENT OF CASH FLOWS
Year Ended March 31, 2025

Cash flows from operating activities		
Change in net assets	$	(260,981)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributed books inventory		(330,387)
Distributed books inventory		695,615
Amortization of operating lease right-of-use asset		20,111
(Increase) decrease in:		
Contributions receivable		127
Purchased books inventory		(24,143)
Increase (decrease) in:		
Credit cards payable		5,913
Accrued expenses		38
Operating lease liability		(20,111)
Net cash provided by operating activities		86,182
Net increase in cash		86,182
Cash, beginning balance		65,331
Cash, ending balance	$	151,513
Supplemental disclosure of cash flow information		
Noncash investing and financing activities:		
Establishment of right-of-use asset operating lease	$	53,866
Establishment of operating lease liability	$	53,866

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization:

Kids Need to Read ("Organization") was incorporated on May 29, 2008, as The Kids Need to Read Foundation, a not-for-profit corporation under the laws of the State of California. On December 17, 2009, the Organization amended its articles of incorporation to change its name. The Organization's administrative office is located in Mesa, Arizona. The mission of Kids Need to Read is to help children discover the joy of reading and the power of a literate mind by providing inspiring books and literacy programs to underfunded schools, libraries, and community agencies across the United States, especially those serving disadvantaged children. The Organization is primarily supported by contributions of books from authors and publishing companies and monetary contributions from corporations and individuals.

Basis of presentation:

The Organization's external financial statement presentation is governed by Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities* ("ASC 958"). Under ASC 958, a not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net asset with donor restrictions, based upon the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions	Net assets that are not subject to donor-imposed restrictions. Certain net assets may be designated for specific purposes by action of the Board of Directors. As of March 31, 2025, the Organization does not have any Board of Directors designated net assets.
Net assets with donor restrictions	Net assets subject to donor-imposed restrictions. Restrictions may be temporary or permanent subject to time and/or purpose. As of March 31, 2025, the Organization does not have any net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Liquidity and funds availability:

The Organization has $152,257 of financial assets available within one year of the financial position date to meet cash needs for general expenditures consisting of cash and contributions receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial position date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions and pledge receivable:

Unconditional contributions and pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions and pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the contributions and pledges are received. Amortization of the discounts is included in contribution revenue. Conditional contributions and pledges are not included as support until the conditions are substantially met. As of March 31, 2025, the Organization does not have any conditional contributions and pledges receivable.

The Organization provides an allowance for uncollectible contributions and pledges receivables by evaluating the receivables, donors' financial condition, historical collection information and as well as consideration of current economic conditions and changes in donor collection trends. Management determined that no allowance was considered necessary at March 31, 2025.

Books inventory:

Books inventory consists of books and other reading materials. Contributions of books are recorded as support at their estimated fair value at the date of contribution and such items are expensed, based upon the specific identification method, as program services expense when distributed to other not-for-profit corporations. Contributions of new books are valued at 80% of the retail price. Contributions of used books are valued at half the retail price. Contributions of advanced reading copy books are valued at $1. Contributed books with no identifiable retail price or not usable by the Organization are valued at $1.

Books purchased by the Organization are valued at cost (specific identification) or net realizable value. Net realizable value is the estimated realizable value, less reasonably predictable costs of disposal and transportation. The valuation of books inventory requires management to estimate obsolete or excess inventory. The determination of obsolete or excess inventory requires management to estimate the future demand for the Organization's books inventory. Management determined that no allowance for inventory obsolescence was necessary at March 31, 2025.

Property and equipment:

The Organization capitalizes all property and equipment with a value greater than $500 and an estimated useful life of three years or more beginning April 1, 2012. Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property and equipment:

Depreciation has been provided on the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are stated at cost and amortized over the shorter of the estimated useful life of the improvement or the remaining lease term utilizing the straight-line method. When items of property and equipment are sold or retired, the related costs and accumulated depreciation and amortization is removed from the accounts and any gain or loss is included in change in net assets without donor restrictions.

Repairs that significantly extend the lives of property and equipment are capitalized, while routine repairs and maintenance are expensed when incurred.

Leases:

The Organization determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. Lease commencement is the date the Organization has the right to control the property. When the rate implicit in the lease is not known, the Organization utilizes the risk-free borrowing rate to discount the lease payments. The risk-free rate is based on the United States Treasury rate for treasuries of similar terms to the lease. The operating lease right-of-use assets also include lease payments made before commencement, lease incentives and are recorded net of impairment. Operating leases are expensed on a straight-line basis over the lease term.

Revenue recognition:

In accordance with ASC 606, the Organization recognizes revenue by applying the following five step model: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to performance obligations in the contract, and (5) recognize revenue as performance obligations are satisfied.

Special events- The Organization attends an annual event designed to attract donors and raise awareness. Special event revenue is recognized when the event takes place.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions, pledges, and grants:

Under Accounting Standards Update ("ASU") 2018-08, contributions, pledges and grant arrangements constitute contributions since the donor does not receive commensurate value for the consideration received by the Organization. Contributions, pledges and grants, including promises to give, are received and recorded as revenue and net assets with or without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions

All contributions, pledges, and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class. When a temporary restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution, pledge, or grant is received, the Organization reports the support as net assets without donor restrictions.

Included in contributions for the year ended March 31, 2025 is $8,092 of unrestricted contributions from members of the Board of Directors.

Contributed goods and services:

Contributed goods and services are recorded as support at their estimated fair value at the date goods are contributed or services are rendered. Contributed services are recognized when the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not contributed. The Organization recognized contributed services and related professional fee expenses of $4,003 for the year ended March 31, 2025.

In addition, a substantial number of volunteers have contributed significant amounts of their time to the Organization; however, the fair value of these services have not been recorded in the accompanying financial statements since the appropriate criteria for recognizing the services have not been met.

Functional expenses:

Expenses that can be identified as a program or fundraising activity are charged directly to their natural expenditure classification. Those expenses which cannot be specifically identified as a program or fundraising activity have been allocated based upon management's best estimate of usage.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income taxes:

The Organization has received from the Internal Revenue Service an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as a public charity under section 509(a)(2). A provision is made in the financial statements for income taxes on unrelated trade or business income earned, when applicable. No significant timing or other difference that would result in a material deferred income tax liability exists.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the accompanying financial statements to comply with the provisions of this guidance.

Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events:

The Organization has evaluated subsequent events through August 21, 2025, the date on which the financial statements were available to be issued.

Note 2. Books Inventory

The following is an analysis of the activity in books inventory during the year ended March 31, 2025:

Books inventory, beginning balance	$ 958,067
Contributed books inventory	330,387
Distributed books inventory	(695,615)
Purchased books inventory	24,143
Books inventory, ending balance	$ 616,982

Note 3. Commitments

Leases:

At inception, the Organization determines if an arrangement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. The Organization has elected not to apply the recognition requirements to short-term leases of twelve months or less.

Operating leases:

The Organization is a party to an operating lease for their corporate office and warehouse.

As of March 31, 2025, the right-of-use ("ROU") asset operating lease had a balance of $33,755 as shown in noncurrent assets on the accompanying statement of financial position; the operating lease liability is included in current liabilities, $21,038, and long-term liabilities, $12,717. The operating lease asset and liability were calculated utilizing the risk-free borrowing rate at the date of inception according to the Organization's elected policy. The operating lease asset and liability were calculated utilizing the risk-free borrowing rate at the date of inception, 4.51%, according to the Organization's elected policy. The lease expires October 2026. The lease requires the Organization to pay all property taxes, insurance, maintenance and operating expenses, plus monthly rental payment of $1,838.

Maturities of operating lease liabilities consist of the following as of March 31, 2025:

Years Ending March 31:	
2026	$ 22,050
2027	12,863
Total lease payments	34,913
Less: interest	(1,158)
	$ 33,755

The components of the lease costs for the year ended March 31, 2025 were as follows:

Operating lease costs	$ 22,050
Variable lease costs	$ 1,788