

**THE LITERACY LAB**

**YEARS ENDED  
JULY 31, 2021 AND 2020**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS  
*A Professional Corporation*

# ***THE LITERACY LAB***

YEARS ENDED JULY 31, 2021 AND 2020

## TABLE OF CONTENTS

	Page
Independent auditor's report	1-2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-21
Supplemental information:	
Schedule of expenditures of federal awards	22
Notes to schedule of expenditures of federal awards	23
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	24-25
Independent auditor's report on compliance for the major program and on internal control over compliance required by the Uniform Guidance	26-27
Schedule of findings and questioned costs	28-29
Summary schedule of prior audit findings	30

## Independent Auditor's Report

Board of Directors  
The Literacy Lab  
Washington, D.C.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Literacy Lab (the Organization) (a nonprofit organization), which comprise the statements of financial position as of July 31, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of July 31, 2021 and 2020 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.

## Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the 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 financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Brown Schultz Steidan & Fritz*

Camp Hill, Pennsylvania  
January 18, 2022

**THE LITERACY LAB**

STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<b>Current assets:</b>		
Cash	\$ 7,050,276	\$ 6,029,179
Accounts receivable, net of allowance for doubtful accounts of \$112,500 and \$0, respectively	350,027	516,487
Grants receivable	624,961	740,933
Contributions receivable	929,000	443,500
Prepaid expenses	<u>76,889</u>	<u>100,972</u>
<b>Total current assets</b>	<b>9,031,153</b>	<b>7,831,071</b>
Fixed assets, net	131,330	186,686
Other assets, security deposits	<u>25,352</u>	<u>24,727</u>
<b>Total assets</b>	<b><u>\$ 9,187,835</u></b>	<b><u>\$ 8,042,484</u></b>

LIABILITIES AND NET ASSETS

<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 123,244	\$ 149,168
Accrued payroll and payroll liabilities	236,636	209,145
Deferred revenue		52,000
Deferred rent	40,374	43,527
Refundable advance		<u>204,699</u>
<b>Total liabilities, all current</b>	<b><u>400,254</u></b>	<b><u>658,539</u></b>
<b>Net assets:</b>		
Without donor restrictions	6,690,581	5,891,445
With donor restrictions	<u>2,097,000</u>	<u>1,492,500</u>
<b>Total net assets</b>	<b><u>8,787,581</u></b>	<b><u>7,383,945</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 9,187,835</u></b>	<b><u>\$ 8,042,484</u></b>

See notes to financial statements.

**THE LITERACY LAB**

STATEMENTS OF ACTIVITIES  
YEARS ENDED JULY 31, 2021 AND 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenues and other support:</b>						
Government grants	\$ 6,025,269		\$ 6,025,269	\$ 7,197,471		\$ 7,197,471
Contributions and other grants	701,454	\$ 3,473,892	4,175,346	686,279	\$ 3,166,000	3,852,279
Program service fees, tutoring	3,602,744		3,602,744	3,669,287		3,669,287
Donated services	86,593		86,593	950		950
Interest and other income	12,510		12,510	55,274		55,274
Net assets released from restrictions	2,869,392	(2,869,392)	-	3,335,042	(3,335,042)	-
<b>Total revenues and other support</b>	<b>13,297,962</b>	<b>604,500</b>	<b>13,902,462</b>	<b>14,944,303</b>	<b>(169,042)</b>	<b>14,775,261</b>
<b>Expenses:</b>						
Program services	11,129,346		11,129,346	11,306,227		11,306,227
Management and general	573,513		573,513	472,134		472,134
Fundraising	795,967		795,967	619,609		619,609
<b>Total expenses</b>	<b>12,498,826</b>		<b>12,498,826</b>	<b>12,397,970</b>		<b>12,397,970</b>
<b>Changes in net assets</b>	<b>799,136</b>	<b>604,500</b>	<b>1,403,636</b>	<b>2,546,333</b>	<b>(169,042)</b>	<b>2,377,291</b>
<b>Net assets:</b>						
Beginning of year	5,891,445	1,492,500	7,383,945	3,345,112	1,661,542	5,006,654
<b>End of year</b>	<b>\$ 6,690,581</b>	<b>\$ 2,097,000</b>	<b>\$ 8,787,581</b>	<b>\$ 5,891,445</b>	<b>\$ 1,492,500</b>	<b>\$ 7,383,945</b>

See notes to financial statements.

**THE LITERACY LAB**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2021**

	Program services			Supporting services		Total
	Reading Corps	Leading Men Fellowship	Total program services	Management and general	Fundraising	
<b>Payroll expenses:</b>						
Staff salaries	\$ 3,224,726	\$ 789,643	\$ 4,014,369	\$ 367,702	\$ 263,495	\$ 4,645,566
Leading men fellow salaries		390,636	390,636			390,636
Tutor living allowances	4,007,293		4,007,293			4,007,293
Fringe benefits	548,870	34,980	583,850	32,442	17,024	633,316
Payroll:						
Taxes	519,694	94,094	613,788	81,367	46,596	741,751
Fees	54,461	10,299	64,760	10,421	4,682	79,863
<b>Total payroll expenses</b>	<b>8,355,044</b>	<b>1,319,652</b>	<b>9,674,696</b>	<b>491,932</b>	<b>331,797</b>	<b>10,498,425</b>
<b>Direct program expenses:</b>						
Program:						
Fees	232,245		232,245			232,245
Supplies	68,387	29,615	98,002			98,002
Training costs	14,350	7,901	22,251			22,251
Program-related travel	2,040	205	2,245			2,245
Recruitment expenses	80,975	130	81,105			81,105
Security background checks	21,585	148	21,733			21,733
Education awards		52,500	52,500			52,500
Regional discretionary	50,676	4,785	55,461			55,461
Other direct program expenses	2,840		2,840			2,840
<b>Total direct program expenses</b>	<b>473,098</b>	<b>95,284</b>	<b>568,382</b>			<b>568,382</b>
<b>General and administrative expenses:</b>						
Rent	206,511	38,581	245,092	29,017	18,611	292,720
Professional fees	183,483	53,366	236,849	24,764	422,718	684,331
Accounting and audit	12,529	2,272	14,801	1,750	1,109	17,660
Office expense	57,355	12,000	69,355	7,887	5,184	82,426
License and fees	44,861	3,359	48,220	2,520	3,271	54,011
Corporate insurance	31,672	5,832	37,504	4,413	2,814	44,731
Travel, food and beverage	4,477	835	5,312	109	385	5,806
Staff retreats and events	2,251	300	2,551	238	155	2,944
Telephone and internet	28,718	4,561	33,279	2,681	1,963	37,923
Professional development	17,661	1,585	19,246	1,252	814	21,312
Postage and delivery	3,948	221	4,169	103	65	4,337
Advertising and marketing	9,282	1,685	10,967	1,391	3,605	15,963
Depreciation	39,198	7,225	46,423	5,456	3,476	55,355
Bad debts	112,500		112,500			112,500
<b>Total other general and administrative expenses</b>	<b>754,446</b>	<b>131,822</b>	<b>886,268</b>	<b>81,581</b>	<b>464,170</b>	<b>1,432,019</b>
<b>Total functional expenses</b>	<b>\$ 9,582,588</b>	<b>\$ 1,546,758</b>	<b>\$ 11,129,346</b>	<b>\$ 573,513</b>	<b>\$ 795,967</b>	<b>\$ 12,498,826</b>

See notes to financial statements.

## **THE LITERACY LAB**

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JULY 31, 2020

	Program services			Supporting services		Total
	Reading Corps	Leading Men Fellowship	Total program services	Management and general	Fundraising	
<b>Payroll expenses:</b>						
Staff salaries	\$ 2,752,381	\$ 1,463,706	\$ 4,216,087	\$ 275,393	\$ 225,708	\$ 4,717,188
Tutor living allowances	4,340,211		4,340,211			4,340,211
Fringe benefits	666,133	37,764	703,897	24,527	15,203	743,627
<b>Payroll:</b>						
Taxes	473,330	113,094	586,424	89,729	45,447	721,600
Fees	45,038	10,912	55,950	9,036	4,305	69,291
<b>Total payroll expenses</b>	<b>8,277,093</b>	<b>1,625,476</b>	<b>9,902,569</b>	<b>398,685</b>	<b>290,663</b>	<b>10,591,917</b>
<b>Direct program expenses:</b>						
Coaches and program consultants	14,588	2,540	17,128			17,128
<b>Program:</b>						
Fees	241,532		241,532			241,532
Supplies	62,606	24,872	87,478			87,478
Training costs	112,108	51,682	163,790			163,790
Program-related travel	39,753	9,968	49,721			49,721
Recruitment expenses	62,313	194	62,507			62,507
Tutor meetings and social events	10,012	739	10,751			10,751
Security background checks	26,297	815	27,112			27,112
Education awards		68,800	68,800			68,800
Other direct program expenses	4,211		4,211			4,211
<b>Total direct program expenses</b>	<b>573,420</b>	<b>159,610</b>	<b>733,030</b>			<b>733,030</b>
<b>Other general and administrative expenses:</b>						
Rent	223,252	54,100	277,352	34,304	21,279	332,935
Professional fees	97,268	21,072	118,340	12,838	290,144	421,322
Accounting and audit	15,016	3,575	18,591	2,307	1,432	22,330
Office expense	38,260	12,003	50,263	4,859	3,244	58,366
License and fees	47,581	4,767	52,348	3,076	2,258	57,682
Corporate insurance	28,062	6,681	34,743	4,312	2,674	41,729
Travel, food and beverage	18,481	13,662	32,143	1,602	1,098	34,843
Staff retreats and events	19,092	4,218	23,310	2,722	1,689	27,721
Telephone and Internet	14,632	3,476	18,108	2,243	1,392	21,743
Professional development	8,796	1,382	10,178	892	553	11,623
Postage and delivery	1,015	291	1,306	110	76	1,492
Advertising and marketing	608	248	856	77	560	1,493
Depreciation	26,727	6,363	33,090	4,107	2,547	39,744
<b>Total general and administrative expenses</b>	<b>538,790</b>	<b>131,838</b>	<b>670,628</b>	<b>73,449</b>	<b>328,946</b>	<b>1,073,023</b>
<b>Total functional expenses</b>	<b>\$ 9,389,303</b>	<b>\$ 1,916,924</b>	<b>\$ 11,306,227</b>	<b>\$ 472,134</b>	<b>\$ 619,609</b>	<b>\$ 12,397,970</b>

See notes to financial statements.



**THE LITERACY LAB**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JULY 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,403,636	\$ 2,377,291
Adjustments:		
Depreciation	55,355	39,744
Bad debts	112,500	
(Increase) decrease in:		
Accounts receivable	53,960	(454,422)
Grants receivable	115,972	(35,706)
Contributions receivable	(485,500)	167,358
Prepaid expenses	24,083	86,220
Deposits	(625)	5,163
Increase (decrease) in:		
Accounts payable and accrued expenses	(25,923)	7,190
Accrued payroll and payroll liabilities	27,491	78,288
Deferred revenue	(52,000)	(78,129)
Deferred rent	(3,153)	43,093
Refundable advance	(204,699)	204,699
Total adjustments	<u>(382,539)</u>	<u>63,498</u>
<b>Net cash provided by operating activities</b>	<b>1,021,097</b>	<b>2,440,789</b>
Cash flows used in investing activities, purchase of fixed assets		<u>(144,451)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,021,097</b>	<b>2,296,338</b>
<b>Cash:</b>		
Beginning of year	<u>6,029,179</u>	<u>3,732,841</u>
<b>End of year</b>	<b><u>\$ 7,050,276</u></b>	<b><u>\$ 6,029,179</u></b>

See notes to financial statements.

## **THE LITERACY LAB**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **1. Nature of activities and summary of significant accounting policies:**

##### *Nature of activities:*

The Literacy Lab (the Organization) was incorporated in 2010 under the laws of the Commonwealth of Virginia for the purpose of providing high-quality reading instruction to low-income students in order to improve their literacy skills, leading to increased academic and life success.

The Organization places full-time tutors in high-needs schools to provide one-on-one literacy intervention to children from age three to grade three. In 2021, the Organization served over 6,300 children in Washington, DC; Alexandria, VA; Baltimore, MD; Kansas City, MO; Richmond, VA; Springfield, MA and Milwaukee, WI. In 2016, the Organization also launched the Leading Men Fellowship, a program that centers and empowers local young men of color to take a leadership role in closing the literacy gap in their own communities while building skills they need to embark on a family-sustaining career. The goals of the Organization are to improve individual students' reading levels by providing direct instruction in reading, to make schools and teachers more effective providing targeted reading interventions, which allow students to access the rest of the curriculum and to strengthen communities by preparing children for academic and career success through increased literacy skills.

##### *Basis of accounting:*

The financial statements of the Organization have been prepared on the accrual basis of accounting with revenue recognized when earned and expenses recognized when incurred.

##### *Financial statement presentation:*

Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the 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 assets with donor restrictions.

##### *Tax status:*

The Organization has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and files a federal form 990 annually.

##### *Accounts and grants receivable:*

The Organization's accounts receivable consist of unsecured amounts due from program participants and funding sources whose ability to pay is subject to changes in general economic conditions.

## ***THE LITERACY LAB***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **1. Nature of activities and summary of significant accounting policies (continued):**

##### *Accounts and grants receivable:*

The Organization manages its credit risk pertaining to accounts receivable by performing ongoing credit evaluations of its program participants and funding sources and generally does not require collateral. Accounts and grants receivable as presented are current and considered fully collectible by management.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

##### *Contributions receivable:*

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give. Contributions receivable are all due to be received within one year.

Concentrations of credit risk with respect to contributions receivable are limited due to the large number of contributions comprising the Organization's contributor base and their dispersion across different industries and donor backgrounds.

##### *Fixed assets:*

Fixed assets are recorded at cost. Contributed assets are recorded at fair value. If an individual or group expenditure in excess of \$5,000 results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets other than those included in fixed assets in progress.

##### *Deferred revenue:*

The Organization recognizes revenue from operations in the period in which services are provided. Deferred revenues represent payments received for services that have not yet been provided at year end.



## ***THE LITERACY LAB***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **1. Nature of activities and summary of significant accounting policies (continued):**

##### *Revenue recognition:*

The Organization generates revenue through the contributions, grants and program service fees.

The Organization determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Goodwill satisfies a performance obligation

##### Contributions:

Contributions are recognized as revenue when they are received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor-imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor-imposed restrictions are reported as restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. All contributions are considered non-exchange transactions for the years ended July 31, 2021 and 2020.

##### Grants:

Grant revenues are evaluated when received to determine if they are exchange transactions or non-exchange transactions. Grants that fund the Organization's overall mission and do not contain any performance obligations are considered non-exchange transactions and are generally recorded as revenue when received.

Grant revenues from foundation grants are recognized as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expiration of restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restrictions between the applicable classes of net assets.

## ***THE LITERACY LAB***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **1. Nature of activities and summary of significant accounting policies (continued):**

##### *Revenue recognition:*

##### Grants:

Certain grant revenues received from federal agencies and the District of Columbia contain specific performance obligations. For these grants, the Organization tracks the progress on each performance obligation and recognizes revenue as eligible costs are incurred. These grants are subject to financial and compliance audits by the grantor agencies. No provision for possible adjustments for disallowed costs has been made in the accompanying financial statements, as management believes any such adjustment would not have a material effect on the financial statements.

Costs incurred in excess of cash received are shown as grants receivable.

##### Program service fees:

Program service fee revenues for tutoring services are considered to be exchange transactions and, accordingly, are recognized as the services are completed. These revenues are recognized in the year the services are provided.

##### *Donated services and materials:*

Donated services and materials are recognized as contributions if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the criteria noted above are not recognized. In-kind contributions for space, supplies and professional services are recorded in the statements of activities at fair value and recognized as revenue and expense in the period they are received, except for donated equipment, which is recorded as revenue in the period received, and the asset is depreciated over its estimated useful life.

A number of volunteers donated their time to the Organization by serving on advisory and planning committees. No value has been assigned for those services. The time contributed by the members of the Organization's Board of Directors is uncompensated and is not reported in the financial statements.

## ***THE LITERACY LAB***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **1. Nature of activities and summary of significant accounting policies (continued):**

##### *Advertising:*

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of promoting the activities of the Organization. Advertising and marketing expenses in the amount of \$15,962 and \$1,492 were incurred during the years ended July 31, 2021 and 2020, respectively.

##### *Functional allocation of expenses:*

The Organization's expenses are summarized on a functional basis in the statements of functional expenses. Expenses relating to more than one function are allocated to program and supporting services based on employee time studies. Accordingly, certain costs have been allocated among the program and supporting services benefited. Costs directly related to the program or supporting service are charged directly to the program or supporting service.

##### *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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Recently issued accounting standards:*

##### Leases:

FASB Accounting Standards Update (ASU) 2016-02, *Leases*, is effective for the Organization's 2023 year end and requires that all leases with terms of more than 12 months be recognized as assets and liabilities on the statement of financial position. Recognition of these lease assets and lease liabilities represents a change from previous generally accepted accounting principles (GAAP), which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures, along with specific quantitative disclosures, will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities.



## **THE LITERACY LAB**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **1. Nature of activities and summary of significant accounting policies (continued):**

##### *Recently issued accounting standards:*

##### Leases:

The Organization will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that the Organization may elect to apply. At adoption, the Organization will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The Organization is currently evaluating the impacts of adopting this guidance on its financial position, results of operations and cash flows.

#### **2. Adoption of new accounting pronouncement:**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* Accounting Standard Codification (ASC-606), which amends previous guidance. The core principle of ASC-606 is that any entity should 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. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Effective August 1, 2020, the Organization adopted ASU 2014-09 using the full retrospective method applied to those contracts which were not completed as of July 31, 2020. There was no quantitative impact as a result of adopting ASU 2014-09.

## **THE LITERACY LAB**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **3. Financial assets and liquidity resources:**

As of July 31, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, payments of liabilities and purchases of property and equipment, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets and liquidity resources:		
Cash	\$ 7,050,276	\$ 6,029,179
Receivables:		
Accounts receivable	350,027	516,487
Grants receivable	624,961	740,933
Contributions receivable	929,000	443,500
Net assets with donor restrictions	<u>(2,097,000)</u>	<u>(1,492,500)</u>
 Total financial assets and liquidity resources available within one year	 <u><u>\$ 6,857,264</u></u>	 <u><u>\$ 6,237,599</u></u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

To help manage liquidity needs, the Organization has access to a \$300,000 line of credit. At July 31, 2021 and 2020, the full amount was available for use.

## **THE LITERACY LAB**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **4. Fixed assets**

Classification of fixed assets and their estimated useful lives as of July 31, 2021 and 2020 were as summarized below:

	Estimated useful life (years)	2021	2020
Website and database	3	\$ 155,652	\$ 155,652
Computers	3	1,048	4,624
Office furniture	7	107,497	107,497
Total cost		264,197	267,773
Accumulated depreciation		132,867	81,087
Net book value		<u>\$ 131,330</u>	<u>\$ 186,686</u>

#### **5. Paycheck Protection Program:**

The Paycheck Protection Program was established under the CARES Act on March 27, 2020, and was designed to provide cash-flow assistance to small businesses, including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs, including fringe benefits, rent and utilities, commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

Management of the Organization anticipates total forgiveness, and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance on the statement of financial position and were recognized as contribution revenue as the qualified expenses were incurred. The Organization applied for and received loan proceeds totaling \$1,872,900 in April 2020. As of July 31, 2021, \$1,872,900 had been recognized as contribution income since the conditions upon which the loan proceeds were provided has been substantially met. The Organization submitted their loan forgiveness application on April 30, 2021, and the loan was forgiven on May 17, 2021.

**THE LITERACY LAB**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2021 AND 2020

**6. Net assets with donor restrictions:**

Net assets with donor restrictions are comprised of contributions received from various grants and donors, which are available to support future projects or operations. Net assets with donor restrictions as of July 31, 2021 and 2020 were available for the following:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Program services:		
Reading Corps	\$ 1,044,500	\$ 366,500
Leading Men Fellowship	152,500	541,000
Recruitment and development	110,000	110,000
Government relations		250,000
Capacity building	45,000	
	<u>1,352,000</u>	<u>1,267,500</u>
Total purpose restricted	1,352,000	1,267,500
Time restricted	<u>745,000</u>	<u>225,000</u>
Total net assets with donor restrictions	<u>\$ 2,097,000</u>	<u>\$ 1,492,500</u>



## THE LITERACY LAB

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### 7. Released from restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified or implied by donors. During the years ended July 31, 2021 and 2020, the Organization expended funds from net assets with donor restrictions as follows:

	<u>2021</u>	<u>2020</u>
Purpose restriction incurred:		
Program services:		
Reading Corps	\$ 849,500	\$ 1,501,897
Leading Men Fellowship	1,011,000	1,725,265
DEI initiative		7,880
Office relocation		80,000
Government relations	437,235	
Administration	232,765	
COVID-19	3,892	
Recruitment	110,000	
	<u>2,644,392</u>	<u>3,315,042</u>
Total released for purpose restrictions		
	2,644,392	3,315,042
Time restriction expired	<u>225,000</u>	<u>20,000</u>
Total net assets released from restrictions	<u>\$ 2,869,392</u>	<u>\$ 3,335,042</u>

#### 8. Commitments:

##### *Operating Sublease – 1400 16th Street, NW (Washington, DC):*

The Organization entered into a 65-month lease agreement with Resources & Conservation Center LLC. on January 29, 2019 for the rent of office space located at 1400 16th Street NW, Washington, DC. The lease term commenced on August 17, 2019. Pursuant to the terms of the lease agreement, the landlord shall fully abate the base rent for the months of September and October 2019. Monthly base rent payments of \$18,700 commence on November 1, 2019. The lease calls for a yearly escalation of 2.5%, effective August 1st of each year. As a requirement of this lease, a security deposit in the amount of \$18,700 was made. Rental expense related to this lease for the year ended July 31, 2021 and 2020 was \$201,527 and \$220,730, respectively.

## **THE LITERACY LAB**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **8. Commitments (continued):**

##### *Operating Sublease – 4049 Pennsylvania Avenue (Kansas City, MO):*

The Organization renewed the sublease agreement with Turn the Page for the rental of office space at 4049 Pennsylvania Avenue, Kansas City, MO. The lease renewal is effective for a period of thirty-six (36) months beginning on January 1, 2019 and expiring on December 31, 2021. Pursuant to the terms of the sublease agreement, the monthly rent amount is \$1,742. The lease calls for a monthly escalation of \$53, effective January 1st of each year. As a requirement of this lease, a security deposit in the amount of \$800 was made. Rental expense (including utilities) related to this lease for the years ended July 31, 2021 and 2020 was \$22,358 and \$23,857, respectively.

##### *Operating Lease – 1500 Union Avenue (Baltimore, MD):*

The Organization entered into a lease agreement with Union Avenue Master Sub-Tenant, LLC for the rental of office space at 1500 Union Avenue, Baltimore, MD. This lease is effective for a period of 36 months beginning on December 1, 2017 and expiring on November 30, 2020. Pursuant to the terms of the lease, monthly base rent shall be \$1,185 from December 1, 2017 through November 30, 2018, and increases to \$1,221 for December 1, 2018 through November 30, 2019 and \$1,257 for December 1, 2019 through November 30, 2020. The lease was extended for an additional three years commencing on December 1, 2020 and calls for a yearly escalation of 3%. In addition to the base rent, there is also a monthly fee to cover operating expenses. As a requirement of this lease, a security deposit in the amount of \$2,627 was made. Rental expense (including operating expenses) related to this lease for the years ended July 31, 2021 and 2020 was \$33,165 and \$32,616, respectively.

##### *Operating Lease – One Federal Street, Building 101 (Springfield, MA):*

The Organization entered into a lease agreement with Springfield Technical Community College Assistance Corporation for the rental of office space at One Federal Street, Springfield, MA. This lease is effective for a period of 12 months beginning on June 1, 2018 and expiring on June 30, 2019. The lease was amended on June 19, 2019 to extend the term of the lease to June 30, 2020. Pursuant to the terms of the lease, monthly base rent shall be \$400 per month. As a requirement of this lease, a security deposit in the amount of \$400 was made. A new lease was signed in June 2020 and is effective for a period of 24 months beginning on July 1, 2020 and expiring on June 30, 2022. Pursuant to the terms of the lease, monthly rent shall be \$700 per month. As a requirement of this lease a security deposit in the amount of \$700 was made. Rental expense related to this lease for the years ended July 31, 2021 and 2020 was \$8,400 and \$5,100, respectively.



## **THE LITERACY LAB**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **8. Commitments (continued):**

As of July 31, 2021, future minimum rental obligations required under these operating leases and subleases are as follows:

Year ending July 31,	
2022	\$ 268,278
2023	252,213
2024	228,332
2025	<u>108,108</u>
Totals	<u>\$ 856,931</u>

#### *Membership Agreements – 2920 W. Broad Street, Richmond, VA:*

The Organization entered into a membership agreement with Gather, LLC on March 5, 2018 for use of an office located at 2920 W. Broad St., Richmond, VA. This membership agreement calls for month to month payments of \$550, commencing on March 5, 2018. As a requirement of this new membership agreement, a security deposit in the amount of \$550 was made. Rental expense related to this membership agreement for the years ended July 31, 2021 and 2020 was \$6,600.

On December 1, 2018, a separate membership agreement was executed for use of an office located at 2920 W. Broad St., Richmond, VA. This membership agreement calls for month-to-month payments of \$940, commencing on December 7, 2018. On April 16, 2021, a new membership agreement was signed related to the same office. The membership agreement calls for 12 monthly payments of \$1,260. As a requirement of this new membership agreement, a security deposit in the amount of \$1,260 was made. Rental expense related to this membership agreement for the years ended July 31, 2021 and 2020 was \$12,240 and \$11,503, respectively.

#### *Membership Agreements – 700 Tech Center Pkwy #200, Newport News, VA:*

On October 20, 2020, a separate membership agreement was executed for use of an office located at 700 Tech Center Pkwy #200, Newport News, VA. This membership agreement calls for 12 monthly payments of \$625, commencing on October 20, 2020. As a requirement of this new membership agreement, a security deposit in the amount of \$625 was made. Rental expense related to this membership agreement for the years ended July 31, 2021 and 2020 was \$6,102 and \$0, respectively.

## **THE LITERACY LAB**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **9. Line of credit:**

The Organization has a \$300,000 line of credit note with PNC Bank. Borrowings under the line bear interest at the *Wall Street Journal* Prime Rate plus 0.68% (3.25% at July 31, 2021). The line of credit is secured by the assets of the Organization. Accrued interest will be due and payable on the first day of each month. The outstanding principal balance and any unpaid interest are due at maturity (May 1, 2022). There have been no drawdowns on the line of credit, and there was no outstanding balance on the line of credit at July 31, 2021 and 2020. The Organization is in compliance with certain non-financial covenants required by the agreement.

#### **10. Concentrations:**

The Organization holds its cash in checking and money market accounts at one financial institution. At July 31, 2021 and 2020, the total cash balance reported by the bank exceeded the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 by approximately \$6,583,000 and \$5,611,000, respectively. The Organization has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk related to cash.

Total support attributable to grants and contributions was 73% and 75% for the years ended July 31, 2021 and 2020, respectively. Concentrations with respect to grants and contributions are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries and donor backgrounds.

#### **11. Related party transactions:**

Various board members and family members of board members of the Organization contributed to the Organization. These contributions totaled \$67,150 and \$139,300 during the years ended July 31, 2021 and 2020, respectively.

#### **12. Retirement plan:**

Employees of the Organization are covered under an optional contributory retirement plan that covers substantially all employees. The Organization does not provide employer matching contributions. Therefore, no expense has been recorded for the years ended July 31, 2021 and 2020.

## ***THE LITERACY LAB***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2021 AND 2020

#### **13. Risks and uncertainties:**

The global COVID-19 pandemic exposed the potential for unforeseen risks that can disrupt The Literacy Lab's ability as an organization to operate programs and meet internal and external stakeholder needs. Indeed, these risks are not exclusive to The Literacy Lab, as many other organizations faced similar realities. In 2020, The Literacy Lab had to quickly pivot and adapt its systems, processes, and human capacity so literacy interventions could continue. The organization could not have done this on its own; it owes a debt of gratitude to school partners, foundation partners, and key government officials, as well as, of course, organization staff, Tutors, Fellows, and students. The 2020-21 school year has been successful, with student performance and fidelity data trending at nearly pre-pandemic levels, despite the many challenges faced.

Perhaps the most significant impact of the pandemic period to the organization has been the exponential increase in demand for services by schools, districts, and even families. Research increasingly tells us that school closures have disproportionately impacted the student demographic served by the organization. This makes the kind of "high-dosage tutoring" The Literacy Lab offers critically important, especially now. The organization is compelled to respond by expanding its services at a rapid rate during the 2021-22 school year.

Given this track-record of success, even in the face of the pandemic, the organization is certain that it is prepared and has a model to support both students and schools to the same high standards as pandemic-related mitigation efforts continue.

#### **14. Subsequent events:**

Management evaluated subsequent events through January 18, 2022, the date the financial statements were available to be issued.

**THE LITERACY LAB**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JULY 31, 2021  
(See independent auditor's report)

<u>Federal grantor/pass-through grantor program title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantors number</u>	<u>Federal expenditures</u>
<b><u>Corporation for National and Community Services:</u></b>			
2020 AmeriCorps National Direct Grant Passed Through Serve DC,	94.006	N/A	\$ 1,616,410
DC Reading Corps	94.006	N/A	309,580
Passed Through the Virginia Department of Social Services, VA Reading Corps	94.006	N/A	758,491
Passed Through the Missouri Community Service Foundation: MO Reading Corps	94.006	N/A	531,720
MO Reading Corps - Training Grant	94.006	N/A	16,020
Passed Through the Maryland Governor's Office on Service and Volunteerism, MD Reading Corps	94.006	N/A	340,300
Passed Through the Massachusetts Service Alliance, MA Reading Corps	94.006	N/A	<u>298,639</u>
<b>Total Corporation for National and Community Services</b>			<b>3,871,160</b>
<b><u>U.S. Department of Education:</u></b>			
Passed Through the District of Columbia, SOAR Act - Nonprofit Third Party Organization Support Organization Grant	84.370C	N/A	176,247
<b><u>U.S. Department of Health and Human Services:</u></b>			
Passed Through the Wisconsin Department of Children and Families, Preschool Development Grant Birth to Five	93.434	N/A	<u>203,165</u>
<b>Total federal awards</b>			<b><u>\$ 4,250,572</u></b>

***THE LITERACY LAB***

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JULY 31, 2021  
(See independent auditor's report)**

***Significant accounting policies and general information:***

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Organization and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, the amounts presented in this schedule may differ from the amounts presented in the preparation of the basic financial statements.

Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position or changes in net assets of the Organization.

None of the federal awards received have been passed through to subrecipients.

***Indirect costs:***

The Corporation elected not to use the ten percent de minimis indirect cost rate.





Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Board of Directors  
The Literacy Lab  
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Literacy Lab, which comprise the statement of financial position as of July 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 and have issued our report thereon dated January 18, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Literacy Lab's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Literacy Lab's internal control. Accordingly, we do not express an opinion on the effectiveness of The Literacy Lab's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Literacy Lab's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Literacy Lab's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Literacy Lab's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown Schultz Steidan & Fritz*

Camp Hill, Pennsylvania  
January 18, 2022



Independent Auditor's Report on Compliance for the Major Program and on  
Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors  
The Literacy Lab  
Washington, D.C.

**Report on Compliance for the Major Federal Program**

We have audited The Literacy Lab's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Literacy Lab's major federal program for the year ended July 31, 2021. The Literacy Lab's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for The Literacy Lab's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Literacy Lab's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on The Literacy Lab's compliance.

## Opinion on the Major Federal Program

In our opinion, The Literacy Lab complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended July 31, 2021.

## Report on Internal Control Over Compliance

Management of The Literacy Lab is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Literacy Lab's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Literacy Lab's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Brown Schulte Steidan & Fritz*

Camp Hill, Pennsylvania  
January 18, 2022



**THE LITERACY LAB**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JULY 31, 2021**

**I. SUMMARY OF AUDITOR'S RESULTS:**

*Financial statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal awards*

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  yes  no

Identification of major program:

CFDA number(s)

Name of federal program or cluster

94.006

AmeriCorps

**THE LITERACY LAB**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JULY 31, 2021**

**I. SUMMARY OF AUDITOR'S RESULTS (continued):**

Dollar threshold used to distinguish between type  
A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes      \_\_\_ no

**II. FINANCIAL STATEMENT FINDINGS:**

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:**

None

***THE LITERACY LAB***

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JULY 31, 2021**

There were no prior audit findings reported.