FINANCIAL STATEMENTS

Year Ended June 30, 2022

with

Independent Auditors' Report

SMART READING

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HOFFMAN, STEWART & SCHMIDT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
SMART Reading

Opinion

We have audited the accompanying financial statements of SMART Reading (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
February 21, 2023

SMART Reading

Statement of Financial Position

June 30, 2022 *(With Comparative Amounts for 2021)*	**2022**	**2021**
ASSETS		
Cash and cash equivalents	$ 595,497	$ 1,060,614
Investments *(Notes 4 and 14)*	2,093,455	2,253,324
Due from The Children's Book Bank *(Note 17)*	42,369	-
Contributions and grants receivable - net *(Note 5)*	1,110,973	990,598
Prepaid expenses	126,701	137,601
Beneficial interest in assets held by Oregon Community Foundation *(Notes 6, 14, and 15)*	2,604,321	2,871,222
Property and equipment - net *(Note 7)*	52,060	90,549
Investments held for long-term purposes *(Notes 4, 14, and 15)*	-	121,409
	$ 6,625,376	**$ 7,525,317**
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 62,930	$ 28,484
Accrued payroll expenses	179,463	263,422
Economic Injury Disaster Loan *(Note 8)*	-	150,000
Total liabilities	**242,393**	**441,906**
Commitments *(Notes 9 and 10)*		
Net assets:		
Without donor restrictions:		
Undesignated	2,434,538	2,911,020
Designated by Board for endowment *(Note 15)*	1,753,086	1,808,378
Net investment in property and equipment	52,060	90,549
Total without donor restrictions	4,239,684	4,809,947
With donor restrictions *(Notes 11 and 15)*	2,143,299	2,273,464
Total net assets	**6,382,983**	**7,083,411**
Total liabilities and net assets	**$ 6,625,376**	**$ 7,525,317**

The accompanying notes are an integral part of the financial statements.

SMART Reading

Statement of Activities

Year Ended June 30, 2022 *(With Comparative Totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Operating revenues, gains, and other support:				
Contributions and grants *(Note 16)*	$ 2,271,809	$ 950,343	$ 3,222,152	$ 2,979,477
Contract revenue	66,150	-	66,150	-
Contributions of nonfinancial assets *(Note 13)*	140,667	-	140,667	149,650
Special events	296,211	-	296,211	601,544
Less direct costs	(72,363)	-	(72,363)	(119,500)
Special events - net	223,848	-	223,848	482,044
Paycheck Protection Program grant	-	-	-	368,760
Other revenue	-	-	-	4,018
Net operating revenues, gains, and other support before releases	**2,702,474**	**950,343**	**3,652,817**	**3,983,949**
Releases from restriction *(Note 11)*	961,624	(961,624)	-	-
Net operating revenues, gains, and other support after releases	**3,664,098**	**(11,281)**	**3,652,817**	**3,983,949**
Operating expenses:				
Program services	2,587,668	-	2,587,668	2,644,617
Supporting services:				
Management and general	565,625	-	565,625	481,082
Fundraising	714,219	-	714,219	738,064
Total operating expenses	**3,867,512**	**-**	**3,867,512**	**3,863,763**
Increase (decrease) in net assets from operations	**(203,414)**	**(11,281)**	**(214,695)**	**120,186**
Non-operating items:				
Investment income	49,245	3,553	52,798	30,389
Net increase (decrease) in fair value of investments	(320,642)	(32,329)	(352,971)	362,355
Net increase (decrease) in beneficial interest in assets held by Oregon Community Foundation	(95,452)	(90,108)	(185,560)	785,685
Total non-operating items	**(366,849)**	**(118,884)**	**(485,733)**	**1,178,429**
Increase (decrease) in net assets	**(570,263)**	**(130,165)**	**(700,428)**	**1,298,615**
Net assets, beginning of year	4,809,947	2,273,464	7,083,411	5,784,796
Net assets, end of year	**$ 4,239,684**	**$ 2,143,299**	**$ 6,382,983**	**$ 7,083,411**

The accompanying notes are an integral part of the financial statements.

SMART Reading

Statement of Functional Expenses

Year Ended June 30, 2022 *(With Comparative Totals for 2021)*

	Program Services	Management and General	Fundraising	Total 2022	Total 2021
Salaries and related expenses	$ 1,643,743	$ 341,363	$ 597,703	$ 2,582,809	$ 2,620,412
In-kind volunteer coordinators *(Note 13)*	89,069	-	-	89,069	106,549
In-kind space and other expenses *(Note 13)*	51,278	320	-	51,598	43,101
Background checks	6,731	93	-	6,824	4,003
Books	316,620	-	-	316,620	367,227
Occupancy	96,591	3,391	24,961	124,943	132,999
Information technology	56,432	71,516	17,118	145,066	143,470
Professional fees	95,690	55,274	19,183	170,147	97,872
Insurance	15,307	343	3,096	18,746	17,405
Office expenses	101,665	45,134	31,799	178,598	201,523
Travel	16,170	4,668	2,552	23,390	19,330
Meetings and events	19,727	40,836	1,067	61,630	17,092
Advertising and promotion	48,501	80	3,867	52,448	29,160
Other	113	478	2,111	2,702	1,706
Depreciation	30,031	1,796	6,662	38,489	29,329
Bad debt	-	333	4,100	4,433	32,585
Total expenses	**$ 2,587,668**	**$ 565,625**	**$ 714,219**	**$ 3,867,512**	**$ 3,863,763**

The accompanying notes are an integral part of the financial statements.

SMART Reading

Statement of Cash Flows

Year Ended June 30, 2022 *(With Comparative Totals for 2021)*	**2022**	**2021**
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (700,428)	$ 1,298,615
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	38,489	29,329
Net (increase) decrease in fair value of investments	352,971	(362,355)
Net (increase) decrease in beneficial interest in assets held by Oregon Community Foundation	185,560	(785,685)
Contributions to permanent endowment	(31,887)	(3,344)
Change in discount on contributions receivable	(1,982)	(4,833)
Net changes in:		
Due from The Children's Book Bank	(42,369)	-
Contributions and grants receivable	(118,393)	176,205
Prepaid expenses	10,900	(19,409)
Accounts payable	34,446	13,273
Accrued payroll expenses	(83,959)	104,043
Paycheck Protection Program refundable advance	-	(10,795)
Net cash provided (used) by operating activities	**(356,652)**	**435,044**
Cash flows from investing activities:		
Purchase of property and equipment	-	(56,255)
Purchase of investments	(247,002)	(409,823)
Proceeds from sale of investments	175,309	247,686
Distributions from Oregon Community Foundation	111,745	110,158
Purchase of beneficial interest in assets held by Oregon Community Foundation	(30,404)	(16,305)
Net cash provided (used) by investing activities	**9,648**	**(124,539)**
Cash flows from financing activities:		
Proceeds from Economic Injury Disaster Loan	-	150,000
Payment of Economic Injury Disaster Loan	(150,000)	-
Contributions to permanent endowment	31,887	3,344
Net cash provided (used) by financing activities	**(118,113)**	**153,344**
Net increase (decrease) in cash and cash equivalents	**(465,117)**	**463,849**
Cash and cash equivalents, beginning of year	1,060,614	596,765
Cash and cash equivalents, end of year	**$ 595,497**	**$ 1,060,614**

The accompanying notes are an integral part of the financial statements.

1. Organization

SMART Reading (the Organization) is a nationally recognized, statewide nonprofit organization (incorporated in the state of Oregon) with a network of volunteers, educators, donors, and advocates across Oregon who are banding together to empower children for more successful futures through books and reading. Headquartered in Portland, SMART Reading envisions an Oregon where all children can realize their full potential through reading. Our mission is to spark joy and opportunity through the magic of a shared book. Participating children also receive new books each month to keep and read with their families.

SMART Reading partners with 255 schools and Head Start programs across Oregon with high populations of children from low-income families, as these students are most at risk for falling behind. SMART Reading is overwhelmingly funded by private sources, and achieves this work by leveraging private dollars and public infrastructure to provide proven reading support, mentorship, and books for Oregon children. The intention of SMART Reading is to provide a fun, child-guided experience that builds reading skills, self-confidence, and a lifelong love of reading in children.

During the year ended June 30, 2022, SMART Reading delivered books, provided classroom read-aloud opportunities, and/or one-on-one reading support to 14,453 children and gave away 124,548 books. This was possible, in part, thanks to over 750 volunteers, who together contributed approximately 10,300 hours of volunteer time. Since 1992, SMART Reading has served over 266,000 children with the help of over 147,000 volunteers, and given away over 3.2 million books. Together, with support from communities across the state, SMART Reading is empowering Oregon children for reading and learning success.

In the year beginning July 1, 2022, SMART Reading will merge with a Portland-based organization, The Children's Book Bank. The Book Bank, which will become part of the SMART Reading organization, works to increase book ownership and access for children by giving new life to community-donated books and distributing them to children in Multnomah County through a variety of programs.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. Summary of Significant Accounting Policies - Continued

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. These donor restrictions are temporary in nature. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Among other areas, estimates are used in the calculation of depreciation expense, any allowance for uncollectible receivables, and the functional allocation of certain expenses.

Contributions and Grants - The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution support in accordance with donor imposed restrictions, if any, on the contributions. Grants are considered available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Contributions and grants received with donor imposed restrictions that are met in the same year as received are reported as revenues in net assets without donor restrictions. In the year ended June 30, 2022, approximately 19% of contributions were from one donor. Payments received for conditional contributions, prior to the related conditions being met, are classified as refundable advances on the statement of financial position. Conditional amounts awarded, but not yet recognized, totaled $353,006 for the year ended June 30, 2022.

2. Summary of Significant Accounting Policies - Continued

Contract Revenue - Contract revenue for services provided are recognized based on the amount the Organization expects to receive in exchange for providing consulting or training for reading programs. The performance obligation is typically met at the point in time when the service is provided.

Contributions of Non-Financial Assets - Significant services received which create or enhance a nonfinancial asset or require specialized skills the Organization would have purchased if not donated are recognized at estimated fair value in the statement of activities. In addition, contributions of equipment, materials, and the free use of facilities are recorded at estimated fair value.

Contributions of Long-Lived Assets - Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as additions to net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as additions to net assets with donor restrictions; the restrictions are released once the related assets have been placed in service.

Cash Equivalents - The Organization considers all highly liquid investments having initial maturities of three months or less to be cash equivalents.

Investments - Investments in equity securities, domestic and international equity mutual funds, bond funds, and real estate investment funds are carried at fair value. Investment return, which consists of realized gains and losses and unrealized increases or decreases in the fair values of those investments, as well as interest and dividend income and management fees, is reported in the statement of activities.

Allowance for Doubtful Accounts - An allowance for uncollectible contributions receivable is recorded based on management's assessment of the specific amounts outstanding. Management will write off any balance that remains after it has exhausted all reasonable collection efforts.

Property and Equipment - Property and equipment are carried at cost when purchased, and at estimated fair value when acquired by gift. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years.

Advertising Expenses - Advertising and promotional costs are charged to expense as they are incurred.

Subsequent Events - Management has evaluated subsequent events through February 21, 2023, the date the financial statements were available for issue.

2. Summary of Significant Accounting Policies - Continued

Income Taxes - Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Organization has any uncertain tax positions. The Organization files informational returns. There are currently no tax examinations in progress for any periods. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Functional Allocation of Expenses - The statement of functional expenses reports certain categories of expenses that are attributable to both program and supporting services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on estimates of time and effort attributable to each function.

Retirement Plan - The Organization sponsors a 401(k) retirement plan (the Plan) under which eligible employees may defer a portion of their salaries in accordance with applicable law. The Organization provides a 3 percent matching contribution to the Plan for employees meeting eligibility requirements. The Organization's contributions to the Plan for the year ended June 30, 2022 and June 30, 2021, totaled $51,998 and $29,194, respectively.

Adoption of New Accounting Standard - Effective July 1, 2021, the Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Fair Value Measurement *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This ASU requires more detailed presentation and disclosure of in-kind contributions of goods and services. The Organization has adopted the provisions of ASU 2020-07 on a retrospective basis. Total support and net assets were unaffected by adopting this new standard.

Upcoming Accounting Pronouncement - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU, among other things, will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for the Organization on July 1, 2022.

2. Summary of Significant Accounting Policies - Continued

Summarized Financial Information for 2021 - The accompanying financial information as of and for the year ended June 30, 2021, is presented for comparative purposes only and is not intended to represent a complete financial statement presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Other Significant Accounting Policies - Other significant accounting policies are set forth in the financial statements and the following notes.

3. Liquidity and Availability of Financial Resources

The Organization's financial assets available for general expenditure within one year of the statement of financial position date consist of the following at June 30, 2022:

Cash and cash equivalents	$ 595,497
Investments	2,093,455
Due from The Children's Book Bank	42,369
Contributions and grants receivable - due within one year	896,374
Beneficial interest in assets held by Oregon Community Foundation (OCF)	2,604,321
	6,232,016
Less amounts not available to be used within one year:	
Net assets with temporary donor restrictions	(130,000)
Board designated net assets	(1,753,086)
Donor endowments	(835,519)
	$ 3,513,411

As part of the Organization's liquidity management, it has a practice to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Organization has a line of credit with Pacific West Bank with an available balance of $350,000 *(Note 10)*.

4. Investments

Investments held by the Organization are summarized as follows at June 30:

	2022	2021
Equity securities	$ 38,647	$ 45,173
Domestic equity mutual funds	676,014	629,467
Bond funds	959,779	1,076,744
International equity mutual funds	300,407	405,804
Real estate investment funds	118,608	217,545
	$ 2,093,455	$ 2,374,733

5. Contributions and Grants Receivable

Contributions and grants receivable are summarized as follows at June 30:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	$ 896,374	$ 742,981
One to five years	230,000	265,000
Gross contributions receivable	1,126,374	1,007,981
Less unamortized discount (2 percent discount rate)	(8,401)	(10,383)
Less allowance for uncollectible amounts	(7,000)	(7,000)
	$ 1,110,973	$ 990,598

6. Beneficial Interest in Assets Held by Oregon Community Foundation

The Organization's beneficial interest in assets held by Oregon Community Foundation consists of the following at June 30:

	2022	2021
SMART Book Endowment Fund	$ 109,187	$ 119,074
SMART Legacy Fund	414,157	448,278
Oregon Children's Foundation Fund	1,305,260	1,424,912
Lane County SMART Fund	81,524	88,898
Jackson County SMART Fund	319,989	348,968
Deschutes County SMART Fund	78,747	85,878
Mary Jubitz Fund for SMART Children	74,244	91,811
The Neil Goldschmidt Fund for SMART Children	33,250	41,179
Carol Hampton Fund for SMART Children	88,952	110,191
Loren Wyss SMART Books Fund	49,104	50,206
Arlene Schnitzer Fund for SMART Children	49,907	61,827
	$ 2,604,321	$ 2,871,222

The Organization has an agreement with OCF in order to achieve improved performance results with respect to investments and enhance long-term planned giving goals. Under the terms of the agreement, OCF may distribute not less than annually an appropriate percentage of the fair market value of the fund. Such percentage shall be determined periodically by the Board of Directors of OCF under its grant percentage payout policy for permanent funds. OCF gives the Organization the option to take this percentage payout in the form of a distribution or to reinvest. Investments held at OCF are valued at fair value.

The majority of the investments held at OCF consist of marketable equity and debt securities recorded at fair market value based on current quoted market prices. However, a portion of the investments held at OCF consists of investments in limited partnerships and real estate whose fair values have been estimated by OCF management in the absence of readily determinable market values. These estimates are based on information provided by the fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used had a quoted market price existed. The Organization uses the estimates provided by OCF in valuing its beneficial interest in these investments.

6. Beneficial Interest in Assets Held by Oregon Community Foundation - Continued

The portfolio allocation of investment funds, except Mary Jubitz Fund for SMART Children, Neil Goldschmidt Fund for SMART Children, and Carol Hampton Fund for SMART Children, held at OCF at June 30, 2022, is as follows:

Equities (international and domestic)	42.9 %
Fixed income	9.6
Marketable alternative investments	1.8
Private equity	41.0
Real estate assets	4.7
	100.0 %

The portfolio allocation of investments for the Mary Jubitz Fund, Neil Goldschmidt Fund for SMART Children, and the Carol Hampton Fund for SMART Children, held at OCF in the Social Impact Fund at June 30, 2022, is as follows:

Equities (international and domestic)	73.0 %
Fixed income	27.0
	100.0 %

7. Property and Equipment

Property and equipment are summarized as follows at June 30:

	2022	2021
Furniture and equipment	$ 151,922	$ 151,922
Books	51,377	51,377
Leasehold improvements	3,753	3,753
	207,052	207,052
Less accumulated depreciation	(154,992)	(116,503)
	$ 52,060	$ 90,549

8. Economic Injury Disaster Loan

During July 2020, the Organization obtained an Economic Injury Disaster Loan (EIDL) through the Small Business Administration for $150,000. The loan, including accrued interest, was fully repaid in September 2021.

9. Commitments

The Organization leases space and office equipment under various noncancelable operating lease agreements expiring through July 2026. Rent expense for the year ended June 30, 2022, was $124,943. Minimum payments remaining under the noncancelable operating leases are as follows at June 30, 2022:

Years Ending June 30,	Amount
2023	$ 119,215
2024	92,543
2025	91,588
2026	7,645
Thereafter	-
	$ 310,991

10. Line of Credit

During 2021, the Organization obtained a $350,000 revolving line of credit with Pacific West Bank. Advances on the line of credit are payable on demand with interest at a fixed rate of 4.5 percent. The line matures September 3, 2022. The line of credit is secured by substantially all assets of the Organization and is subject to certain financial covenants. There were no outstanding advances on this line of credit as of June 30, 2022.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes and time periods at June 30, 2022:

General program support for future periods	$ 896,950
Unexpended endowment earnings *(Note 15)*	280,830
Other temporary purposes	130,000
Permanent endowments	835,519
	$ 2,143,299

During the year ended June 30, 2022, $961,624 of net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purpose and/or the passage of time as designated by the donor.

Permanently endowed net assets have been restricted by donors to investment in perpetuity. The figures below represent the original contribution plus all subsequent contributions received through the end of the fiscal year and do not include investment income, gains, or losses. The donors of these permanent endowments have stipulated that investment income and realized and unrealized gains be restricted. A summary of permanent endowments maintained by the Organization as of June 30 is as follows:

	2022	2021
SMART Book Endowment Fund	$ 50,000	$ 50,000
SMART Legacy Fund	280,347	276,960
Lane County SMART Fund	60,686	60,686
Deschutes County SMART Fund	54,270	54,270
The Neil Goldschmidt Fund for SMART Children	30,000	30,000
Mary Jubitz Fund for SMART Children	35,307	35,307
Mary & Tim Boyle North Coast SMART Fund	101,409	101,409
Carol Hampton Fund for SMART Children	85,000	85,000
Chris Otis Legacy Fund	18,500	-
The DNG Fund	20,000	20,000
Loren Wyss SMART Books Fund	50,000	40,000
Arlene Schnitzer Fund for SMART Children	50,000	50,000
	$ 835,519	$ 803,632

12. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Organization to concentrations of risk consist primarily of cash and cash equivalents, investments, and contributions receivable. On occasion throughout the year, cash and cash equivalent balances exceeded amounts insured by the Federal Deposit Insurance Corporation. Investments are managed via the Organization's investment policies. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the financial statements. Contributions receivable are due primarily from local businesses, charitable foundations, and individuals. At June 30, 2022, approximately 80 percent of gross contributions receivable was due from two donors.

13. Contributed Non-Financial Assets

The Organization received the following in-kind contributions during the years ended June 30:

	2022	2021
Volunteer Site Coordinators at SMART's 270 sites	$ 89,069	$ 106,549
Office space	29,005	27,201
Books	7,310	15,000
Professional services and other donated materials	15,283	900
	$ 140,667	$ 149,650

Volunteer Site Coordinators - These services have been valued at rates approximating the minimum wage.

Contributed Office Space - Office space was utilized for general and administrative activities. The donation is valued at fair market value on the basis of comparable rentals in the local area.

Contributed Books - Books were used in program activities and valued on the basis of sales prices that would be received for selling similar products in the United States.

Professional services and other donated materials - These services and goods were utilized in general and administrative activities and were valued and reported at the estimated fair value based on current rates for similar services.

13. Contributed Non-Financial Assets - Continued

Contributed Site Coordination - The core of the Organization's program is the more than 570 volunteers who read one on one virtually with children on a weekly basis, plus volunteers who work on the Organization's board and assist in other capacities. The Organization's management estimates that volunteers donated approximately 3,394 hours of services during the year ended June 30, 2022, representing a value of approximately $101,638. The estimated value of the volunteer time was based on the estimated national value of volunteer hours per the Independent Sector. Consistent with GAAP, the value of such services has not been recognized in the accompanying financial statements.

14. Fair Value Measurements

GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy and the valuation methodologies used for assets are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices observable for the asset or liability.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Fair value based on significant unobservable inputs.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

14. Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 3	Total
Investments:			
Equity securities:			
Retail	$ 8,497	$ -	$ 8,497
Consumer electronics	16,406	-	16,406
Software	13,744	-	13,744
Domestic equity mutual funds:			
Large blend	676,014	-	676,014
Bond funds:			
Intermediate	543,452	-	543,452
World	226,398	-	226,398
ETF	49,551	-	49,551
Ultrashort	140,378	-	140,378
International equity mutual funds:			
Foreign large blend	210,610	-	210,610
Diversified emerging markets	89,797	-	89,797
Real estate investment funds	118,608	-	118,608
Total investments	2,093,455	-	2,093,455
Beneficial interest in assets held by Oregon Community Foundation	-	2,604,321	2,604,321
Total assets at fair value	$ 2,093,455	$ 2,604,321	$ 4,697,776

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments in equity securities, equity mutual funds, bond funds, and real estate investment funds are valued at reference to quoted market prices.

Assets held at OCF represent the Organization's share of a pooled investment portfolio managed by OCF. The Organization's share of the pooled investment portfolio is not actively traded, and significant other observable inputs are not available. However, as described in *Note 6*, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. As such, this asset is classified as Level 3.

15. Endowment Funds

Financial accounting standards provide guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts donated to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of accumulated earnings is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment Strategy and Spending Policy

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The Organization's endowment funds are invested primarily at OCF. The Board of Directors of OCF determines investment of funds by OCF, which would include the Organization's funds with OCF summarized in *Note 6*. Per the Organization's policy, investment returns will be reinvested until total assets in the endowment funds reach $2 million.

The Organization's board will decide on an annual basis whether to take a distribution from these funds. The annual distribution will not exceed the OCF distribution payout rate as set by the Board of Directors of OCF. The distribution would support the Organization's program, and would be allocated according to fund-specific restrictions (such as the fund for Deschutes County); funds without restrictions will be allocated based on need.

15. Endowment Funds - Continued

Endowment asset composition by type of fund as of June 30, 2022 is as follows:

		Donor restricted		
	Board Designated	Accumulated Investment Earnings	Original Principal	Total
Donor restricted funds	$ -	$ 280,830	$ 835,519	$ 1,116,349
Board designated funds	1,753,086	-	-	1,753,086
	$ 1,753,086	$ 280,830	$ 835,519	$ 2,869,435

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

		Donor restricted		
	Board Designated	Accumulated Investment Earnings	Original Principal	Total
Endowment net assets, beginning of year	$1,808,378	$435,024	$803,632	$3,047,034
Investment income	-	3,553	-	3,553
Net decrease in fair value of investments	-	(32,329)	-	(32,329)
Decrease in beneficial interest in assets held by Oregon Community Foundation	(95,933)	(90,108)	-	(186,041)
Contributions	100,000	-	31,887	131,887
Appropriated for expenditure	(59,359)	(35,310)	-	(94,669)
Endowment net assets, end of year	$ 1,753,086	$ 280,830	$ 835,519	$ 2,869,435

16. Contributions and Grants

Contributions and grants were received from the following sources during the year ended June 30, 2022:

Individuals	$ 1,862,670
Foundations	689,856
Government grants	165,202
Corporations	504,424
	$ 3,222,152

17. The Children's Book Bank

Effective July, 2022, The Children's Book Bank (CBB), a previously unrelated public charity, merged its operations into SMART. As part of the merger, in July 2022 SMART recognized a liquidating contribution from CBB of approximately $395,000. At June 30, 2022, SMART had a receivable from CBB representing expenses paid by SMART on behalf of CBB.