

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

Reading is Fundamental

Nonprofit Investor Rating:

BUY

Mission Statement

Reading is Fundamental's mission is to motivate young children to read by working with them, their parents, and community members to make reading a fun and beneficial part of everyday life. Its highest priority is reaching underserved children from birth to age 8.

Financial Overview

\$ in MM, Fiscal Year Ended September 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue and Support	\$31.9	\$35.0	\$32.0
Operating Expenses	\$32.1	\$30.4	\$32.3
% of Total:			
Program Services	85.5%	82.6%	83.8%
G&A	10.0%	13.3%	12.6%
Fundraising	4.5%	4.1%	3.6%

Year Founded: 1966

Contact Details

Reading is Fundamental, Inc.
1255 23rd Street, NW
Suite 300
Washington, DC 20037
202-536-3400

<http://www.rif.org/>

EIN: 52-097-6257

Analyst: Eric Chen

Peer Review: Michael Kim, J.B. Oldenburg

Publication Date

June 5, 2012

SUMMARY

Reading is Fundamental ("RIF") was founded in 1966 by Margaret McNamara and is the largest children's literacy nonprofit in the United States. They prepare and motivate children to read by delivering free books and literacy resources at schools, community centers, and hospitals. RIF is divided into three separate programs including Books for Ownership, Care to Read, and Family of Readers. RIF has more than 400,000 volunteers who distribute more than 15 million books each year and is supported by corporations, foundations, community organizations, and individuals.

STRENGTHS

▲ **RIF provides free books to the nation's most needy children and engages children in fun reading-related activities.** Since inception, RIF has distributed more than 380 million free books to 33 million children at more than 17,000 sites throughout the nation.

▲ **The organization has strong partnerships with companies such as Macys and US Airways and continues to build other key partnerships.** In February 2012, Kumon, the world's largest after-school math and reading program announced a partnership with RIF to provide books to children in underserved communities.

CAUTIONS

● **RIF's government funding of \$25.2 million per year is currently at risk. A bill in March 2011 was passed that eliminated funding for RIF.** While funding for national literacy programs was restored in December 2011 and \$28.0 million will be awarded through a competitive grant process, funding for RIF was not included in the 2013 budget.

● **RIF had a 44% decline in personal and charity donations from 2009 to 2010.** The significant drop hinders RIF's ability to provide children with free books.

RECOMMENDATION: BUY

While RIF's government funding is in jeopardy, the organization has had a proven track record of providing books and literacy services to children since 1966. NPI is currently giving it a 'Buy' rating due to the organization's strong partnerships, leadership, and diverse programs.

OVERVIEW OF READING IS FUNDAMENTAL'S PROGRAMS

RIF's primary mission is to motivate children to read, especially those in underprivileged communities. RIF achieves its mission through its three separate programs including Books for Ownership, Care to Read, and Family of Readers. The programs provide kids access to books, motivate families to read together, and provide teachers with educational resources. The programs involve parents, teachers, and volunteers and can range from book distributing to outdoor reading events. RIF currently works with approximately 3,100 local programs and has more than 400,000 volunteers. Communities are able to develop stronger bonds through the programs and children's literacy skills are improved.

Books for Ownership ("BFO") - BFO provides new, free books and literacy resources to 4 million children in the United States, the District of Columbia, and U.S. territories. The program is vital for children who have no books at home or have limited access to libraries and computers. Through 400,000 volunteers working in a variety of settings such as schools, community centers, churches, and hospitals, children are able to explore their interests and learn new subjects. The distribution of books is further improved through motivational activities ranging from read-alouds with volunteers to events that involve the entire community.

Local volunteers select and buy the books, plan and execute the distributions, and promote the program to communities. Children select two to give books a year at no cost and participate in educational reading events.

Care to Read – Care to Read is an early literacy training program for staff in childcare programs. The program improves the quality of childcare centers and improves awareness of children's literature. Staff members participate in workshops provided by RIF on literacy development and children's literature. This allows them to better assist children in developing literacy skills and learn new subjects.

The program consists of six workshops based on literacy development concepts. Each workshop provides background information and includes training activities, manuals, and a collection of children's books. Workshops include Understanding Early Language and Literacy Development, Creating Literacy-Rich Environments, Where Conversation Leaders, Reading Aloud, The Writing Connection, and Supporting Language and Literacy Every Day.

Family of Readers – Family of Readers is a program that promotes parental involvement in their children's reading, learning, and love of books. Parents develop skills and confidence to improve their children's literacy skills. Parents learn how to read aloud, choose the correct books for their children, and help plan reading events in their communities.

The program serves thousands of children and parents across the country with special emphasis placed on families with children in elementary school.

Program Summary

Books for Ownership	Care to Read	Family of Readers
-Provides books and resources to children	-Improve quality of childcare centers	-Parents develop skills to to help their children read and expand their views
-Motivate children to read	-Improve staff access to books and awareness of children's literature	-Enhance family interaction by sharing books with children
-Generate community support for literacy	-Prepare childcare staff to read to children and support families in reading to their children	-Allows parents to participate in their children's education and fosters supportive relationships
-Volunteers host entertaining and educational reading events		

PROGRAM RESULTS AND EFFECTIVENESS

RIF provided over 15 million books to 4 million children in 2010 and has provided over 380 million books since inception. The organization also created Book Brag – an interactive website where RIF participants can connect with each other and talk about books in their collection.

RIF commissioned a study in 2010 to gauge the effect of print materials on children’s reading. The study found that access to print materials improve children’s reading performance, cause children to read more for longer periods of time, and produce improved attitudes towards reading and learning. The study further validates RIF’s program goals and visions. (See link for full report <http://www.rif.org/documents/us/RIFandLearningPointMeta-FullReport.pdf>)

RIF has a stable and competent management team with most members being with the organization for more than 10 years. Carol Rasco, who is the chief executive officer has been an advocate for children’s education throughout her life and has held various positions in the government related to education. The Board of Directors consists of personnel with educational and children literature backgrounds which we believe are important in guiding the organization.

The numbers of books and distribution sites have decreased over the past 2 years in the Books for Ownership program. We believe this is correlated with the decreased revenue from 2009 to 2010. However, RIF is still able to provide services through its Care to Read and Family of Readers programs which aren’t as capital intensive.

Program Statistics	2008	2009	2010
Books Distributed (000's)	16,328	15,461	15,433
Children (000's)	4,475	4,377	4,302
Sites	17,934	17,200	16,600
Cost of Books (\$000's)	\$25,402	\$22,671	\$24,888
Cost per Book	\$1.56	\$1.47	\$1.61

TRANSPARENCY / OVERSIGHT

RIF is audited by RAFFA and the financials are audited in accordance with auditing standards generally accepted in the United States of America. The organization also files its Form 990 with the IRS on an annual basis and provides an annual report.

FINANCIAL OVERVIEW

Revenue

Approximately 79% of RIF’s 2010 revenue came from the U.S. Department of Education’s Inexpensive Book Distribution Program (“IBDP”). The remaining revenue consists of personal donations, foundation and corporation donations, and sales of program materials. The IBDP contract was entered into in 2008 and has four one-year option periods for fiscal years 2010 through 2013. In 2010, the Department of Education executed a one-year option for the period 9/30/10 through 9/29/2011. Subsequently on March 2, 2011, President Obama signed a bill that eliminated funding for RIF, significantly impacting RIF’s operations. However, in December 2011, Congress restored funding for national literacy programs under the Departments Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act of 2012. The bill will award \$28 million to literacy organizations and libraries through a competitive grant process. While RIF has received government funding uninterrupted since 1975, funding for RIF was not included in the 2013 US budget. *We would like to have a clearer view on the funding status for RIF going forward. The revenue is directly tied to the amount of books that are provided to children. Additionally, contributions will need to be monitored as there was a 44% decline from 2009 to 2010. Fundraising expenditures may increase if the government funding is cut.*

Expenses

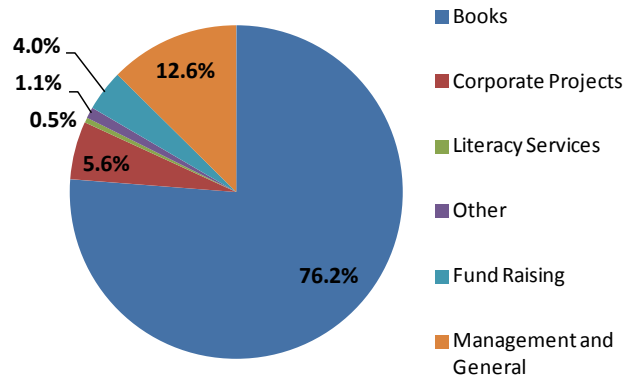
In 2010, the purchase of books accounted for 76% of total expenses. Program services which include the purchase of books, literacy services, and corporate projects accounted for 84% of total expenses. The next largest expense,

management and general expenses of \$4.1 million, accounted for 12.6% of total expenses. Office rent, salaries, and compensation of officers accounted for 66% of the management and general expenses.

Financials

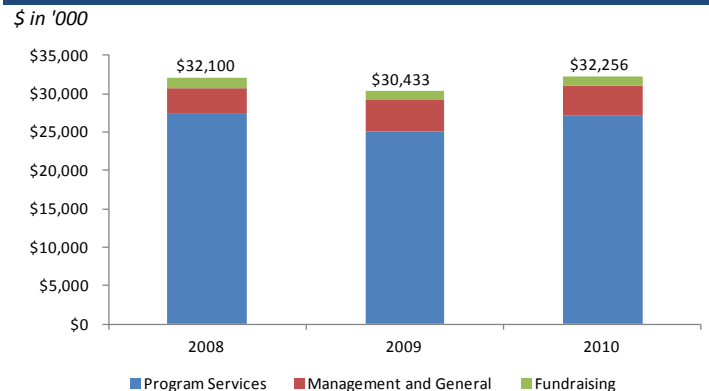
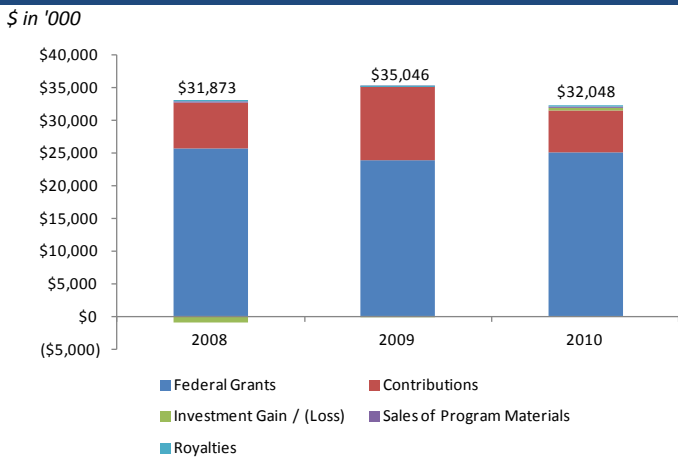
Total Expense Breakdown

	Fiscal Year Ended September 30		
	2008	2009	2010
\$000			
Revenues			
Federal Grants	25,728	23,857	25,168
Contributions	7,043	11,189	6,255
Investment Gain / (Loss)	(977)	(64)	490
Sales of Program Materials	19	26	71
Royalties	60	38	64
Total Revenue	\$31,873	\$35,046	\$32,048
<i>Y/Y Growth</i>		10.0%	(8.6%)
Expenses			
Program Services	27,459	25,152	27,044
Management and General	3,190	4,041	4,072
Fundraising	1,452	1,240	1,140
Total Expenses	\$32,100	\$30,433	\$32,256
as % of Total Expenses			
Program Services	85.5%	82.6%	83.8%
Management and General	9.9%	13.3%	12.6%
Fundraising	4.5%	4.1%	3.5%
Total	100.0%	100.0%	100.0%

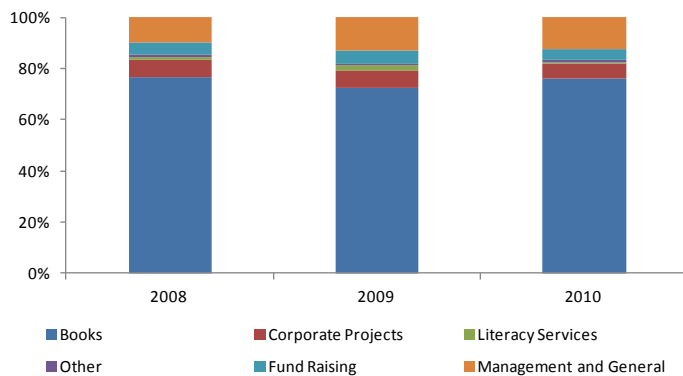


Revenue Breakdown

Total Expense Breakdown



Expense Breakdown



ADDITIONAL DILIGENCE AREAS

Funding Sources - RIF has not disclosed their 2011 financials or annual report. In March 2012, President Obama released his 2013 budget and it did not include funding for literacy programs or for RIF. The political landscape and outlook will need to be closely monitored going forward since government funding is critical to RIF's operations. RIF has continued to create partnerships with other organizations, but it is unlikely to replace the government funding.

THIRD PARTY RATINGS

- RIF received an A rating from the American Institute of Philanthropy.
- Worth Magazine named RIF among the 100 best Charities
- Charity Navigator gave RIF an overall rating of 55.01 and 3 out of 4 stars.

Key Partnerships and Donors

Key Partnerships

- | | |
|--|---------------------------------|
| • Eat Win Read with Buddig | • First Book |
| • Kumon – United for Literacy | • US Airways |
| • Nestle' Share the Joy of Reading Program | • Macys |
| • Pitney Bowes | • United Nations Cyberschoolbus |

Key Donors and Supporters

- | | |
|------------------------------|-------------------------------------|
| • Colgate-Palmolive Company | • Capital one Financial Corporation |
| • Dollar General Corporation | • Oriental Trading Company |
| • Barnes & Noble | • Credit Suisse |
| • Scholastic | • Chevron |

GET INVOLVED

- Support RIF by advocating to Congress to reinstate funding for literacy programs
 - <http://www.rif.org/us/get-involved/advocate/action-center.htm>
- Volunteer in one of RIF's book distribution programs
- Join RIF Ambassadors which expands RIF's reach by engaging neighboring programs and volunteers
- Donate: <http://www.rif.org/us/donate.htm>

DISCLOSURES

Eric Chen certifies that he does not have any affiliation with Reading is Fundamental and has never made a donation to the organization. Additionally, Eric has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

This report is for informational purposes only and does not constitute a solicitation for donations. While the reliability of information contained in this report has been assessed by NPI, NPI makes no representation as to its accuracy or completeness, except with respect to the Disclosure Section of the report. Any opinions expressed herein reflect our judgment as of the date of the materials and are subject to change without notice. NPI has no obligation to update, modify or amend any report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject organization is withdrawn.

Opinions and recommendations in our reports do not take into account specific reader circumstances, objectives, or needs. The recipients of our reports must make their own independent decisions regarding any organization mentioned by NPI.

CORPORATE PARTERSHIP WITH SUCCESSFACTORS

FIT WITH SUCCESSFACTORS FOUNDATION MISSION

Reading is Fundamental's programs provide millions of books to children allowing them the opportunity to gain knowledge and improve their literacy skills. The Books for Ownership program make books easily accessible to underserved children, while the Care to Read program provides training solutions to teachers in childcare programs. This is aligned with SuccessFactor's Foundation's mission of "recognizing that today's youth are the future leaders of tomorrow's workforce."

GEOGRAPHIC PRESENCE

RIF's headquarter is located in Washington, DC and books were distributed at more than 16,000 sites around the United States. RIF has distributed more than 1.7 million books to 500,000 children in California. There are more than 30 programs located in San Francisco.

OVERVIEW OF WAYS TO PARTNER

RIF's success depends on volunteers for its literacy and book distribution programs. Volunteering duties may include:

- Selecting and ordering books
- Organizing and participating in book reading events
- Conducting reading activities and raising awareness of RIF in communities