

**LITERACY, INC.**  
**Financial Statements**  
**and**  
**Supplementary Information**  
**for year ended**  
**June 30, 2024**

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**CONDON  
O'MEARA  
McGINTY &  
DONNELLY LLP**

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Certified Public Accountants

One Battery Park Plaza  
New York, NY 10004-1405  
Tel: (212) 661 - 7777  
Fax: (212) 661 - 4010

### **Independent Auditor's Report**

To the Board of Directors  
Literacy, Inc.

#### ***Opinion***

We have audited the accompanying financial statements of Literacy, Inc. ("LINC"), which comprise the statement of financial position as of June 30, 2024 and June 30, 2023 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LINC as of June 30, 2024 and June 30, 2023 and the result of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LINC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LINC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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 LINC'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 LINC'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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 21 is presented for purposes of additional analysis 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 information has been subjected to the auditing procedures applied in the audit 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 supplementary information 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 28, 2025 on our consideration of LINC'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 solely 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 LINC'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 LINC's internal control over financial reporting and compliance.

*Cordun O'Meara McElroy + Donnelly LLP*

## LITERACY, INC.

### Statement of Financial Position

#### Assets

	June 30	
	2024	2023
<b>Current assets</b>		
Cash and cash equivalents	\$ 985,420	\$ 967,983
Investment in U.S. Treasury Obligations, at fair value	5,686,992	2,071,582
Contributions and grants receivable	2,262,716	3,189,644
Accounts receivable	38,249	168,746
Prepaid expenses	<u>49,035</u>	<u>51,597</u>
Total current assets	9,022,412	6,449,552
<b>Contributions and grants receivable, net of current portion</b>		75,000
Security deposit	17,876	12,020
Right-of-use assets – operating leases	<u>92,782</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$9,133,070</u></b>	<b><u>\$6,536,572</u></b>

#### Liabilities and Net Assets

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 387,026	\$ 347,698
Agency funds	-	208,947
Operating leases payable	<u>29,915</u>	<u>-</u>
Total current liabilities	416,941	556,645
<b>Operating leases payable, net of current portion</b>	<u>63,429</u>	<u>-</u>
Total current liabilities	<u>480,370</u>	<u>556,645</u>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	2,960,171	2,423,181
Board designated	<u>1,000,000</u>	<u>1,000,000</u>
Total without donor restrictions	3,960,171	3,423,181
With donor restrictions	<u>4,692,529</u>	<u>2,556,746</u>
Total net assets	<u>8,652,700</u>	<u>5,979,927</u>
<b>Total liabilities and net assets</b>	<b><u>\$9,133,070</u></b>	<b><u>\$6,536,572</u></b>

See notes to financial statements.

LITERACY, INC.

Statement of Activities

	Year Ended June 30		
	2024	2023	
	Without Donor Restrictions	With Donor Restrictions	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Foundation and corporate contributions	\$ 245,219	\$ 3,640,763	\$ 3,885,982
Individual contributions	293,743	300,000	593,743
Governmental grants	2,244,518	-	2,244,518
Special event (net of direct costs of \$182,765 in 2024 and \$140,855 in 2023)	595,802	-	595,802
Contributed nonfinancial assets	95,659	-	95,659
Employee retention credits	758,481	-	758,481
Other revenue	252,527	-	252,527
Net assets released from restrictions	1,804,980	<u>(1,804,980)</u>	<u>2,162,127</u>
Total support and revenue	<u>6,290,929</u>	<u>2,135,783</u>	<u>8,426,712</u>
<b>Expenses</b>			
Program services	4,692,206	-	4,692,206
Supporting activities			4,244,973
Management and general	497,709	-	497,709
Fundraising	564,024	-	564,024
Total supporting activities	<u>1,061,733</u>	<u>-</u>	<u>1,061,733</u>
Total expenses	<u>5,753,939</u>	<u>-</u>	<u>5,753,939</u>
<b>Increase (decrease) in net assets</b>			
Net assets, beginning of year	536,990	2,135,783	2,672,773
Net assets, end of year	<u>3,423,181</u>	<u>2,556,746</u>	<u>5,979,927</u>
	<u><b>\$ 3,960,171</b></u>	<u><b>\$ 4,692,529</b></u>	<u><b>\$ 8,652,700</b></u>

See notes to financial statements.

**LITERACY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**  
**(with Summarized Comparative Financial Information**  
**for the Year Ended June 30, 2023)**

	<b>2024</b>			<b>2023</b>
	<b>Supporting Activities</b>			
	<b>Management</b>		<b>Total</b>	<b>Total</b>
	<b>Program Services</b>	<b>and General</b>	<b>Fund-Raising</b>	
Salaries	\$ 3,034,735	\$ 311,110	\$ 371,787	\$ 3,717,632
Payroll taxes and benefits	567,659	58,194	69,544	695,397
Consultant fees	361,033	28,405	25,762	415,200
Professional fees	225,467	72,325	5,300	303,092
Program expenses	161,754	1,168	1,573	164,495
Office supplies	6,785	515	692	7,992
Staff development and training	39,570	3,001	4,039	46,610
Occupancy	87,996	6,675	8,982	103,653
Telephone and internet	4,314	327	440	5,081
Computer technology	9,105	691	929	10,725
Printing and publications	10,972	832	1,120	12,924
Depreciation	-	-	-	357
Insurance	17,853	1,354	1,822	21,029
Payroll service	9,801	744	1,000	11,545
Dues and subscriptions	39,459	2,993	4,028	46,480
Miscellaneous	74,126	5,623	16,676	96,425
Special events	-	-	182,765	182,765
Sub-total of expenses by function without contributed nonfinancial assets	4,650,629	493,957	696,459	5,841,045
Less: direct costs of special events net with revenue on the statement of activities	-	-	182,765	182,765
<b>Sub-total without contributed nonfinancial assets</b>	<b>4,650,629</b>	<b>493,957</b>	<b>513,694</b>	<b>5,658,280</b>
Contributed professional services	500	2,752	26,500	29,752
Contributed program event support	-	-	23,830	23,830
Contributed books and materials	41,077	1,000	-	42,077
<b>Sub-total contributed nonfinancial assets</b>	<b>41,577</b>	<b>3,752</b>	<b>50,330</b>	<b>95,659</b>
<b>Total</b>	<b>\$ 4,692,206</b>	<b>\$ 497,709</b>	<b>\$ 564,024</b>	<b>\$ 5,753,939</b>
				<b>\$ 5,248,696</b>

See notes to financial statements.

**LITERACY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<u>Supporting Activities</u>			
	<u>Management</u>			
	<u>Program Services</u>	<u>and General</u>	<u>Fund-Raising</u>	<u>Total</u>
Salaries	\$ 2,672,012	\$ 253,253	\$ 296,179	\$3,221,444
Payroll taxes and benefits	460,428	43,640	51,036	555,104
Consultant fees	370,499	56,621	91,763	518,883
Professional fees	322,686	54,623	-	377,309
Program expenses	144,699	-	-	144,699
Office supplies	7,189	681	797	8,667
Staff development and training	16,654	1,578	1,846	20,078
Occupancy	81,710	7,745	9,057	98,512
Telephone and internet	4,910	465	544	5,919
Computer technology	11,173	1,059	1,238	13,470
Printing and publications	5,955	564	660	7,179
Depreciation	296	28	33	357
Insurance	14,918	158	2,898	17,974
Payroll service	7,501	711	832	9,044
Dues and subscriptions	37,827	3,585	4,193	45,605
Miscellaneous	57,598	5,460	24,944	88,002
Special events	-	-	<u>140,855</u>	<u>140,855</u>
Sub-total of expenses by function without contributed nonfinancial assets	<u>4,216,055</u>	<u>430,171</u>	<u>626,875</u>	<u>5,273,101</u>
Less: direct costs of special events net with revenue on the statement of activities	-	-	<u>140,855</u>	<u>140,855</u>
<b>Sub-total without contributed nonfinancial assets</b>	<b><u>4,216,055</u></b>	<b><u>430,171</u></b>	<b><u>486,020</u></b>	<b><u>5,132,246</u></b>
Contributed professional services	5,270	-	47,432	52,702
Contributed program event support	-	-	40,100	40,100
Contributed books and materials	23,648	-	-	23,648
<b>Sub-total contributed nonfinancial assets</b>	<b><u>28,918</u></b>	<b><u>-</u></b>	<b><u>87,532</u></b>	<b><u>116,450</u></b>
<b>Total</b>	<b><u>\$ 4,244,973</u></b>	<b><u>\$ 430,171</u></b>	<b><u>\$ 573,552</u></b>	<b><u>\$5,248,696</u></b>

See notes to financial statements.

## LITERACY, INC.

### Statement of Cash Flows

	Year Ended June 30	
	2024	2023
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 2,672,773	\$ (37,643)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	-	357
Donated stock received	(113,438)	(42,586)
Sale of donated stock	113,438	42,586
(Increase) decrease in assets		
Contributions and grants receivable	1,001,928	(1,053,919)
Accounts receivable	130,497	(80,549)
Prepaid expenses	2,562	(11,887)
Security deposit	(5,856)	2,606
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	39,328	45,982
Agency funds	(208,947)	(1,578,037)
Net change in operating lease payable	<u>562</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>3,632,847</u>	<u>(2,713,090)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	3,887,963	1,460,000
Purchases of investments	<u>(7,503,373)</u>	<u>(2,961,413)</u>
Net cash (used in) investing activities	<u>(3,615,410)</u>	<u>(1,501,413)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17,437</b>	<b>(4,214,503)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>967,983</u></b>	<b><u>5,182,486</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 985,420</u></b>	<b><u>\$ 967,983</u></b>

## LITERACY, INC.

### Notes to Financial Statements June 30, 2024

#### **Note 1 – Nature of organization**

Literacy, Inc. (“LINC”) harnesses the power that exists in every community to make literacy a value and right of all children. Our children’s educational success is the path out of poverty and the key to achievement. LINC’s mission is to engage families and community members to support young readers in high need neighborhoods.

#### **Note 2 – Summary of significant accounting policies**

##### Financial reporting

The following is a summary of LINC’s net assets:

- Without donor restrictions

Net assets without donor restrictions consist of amounts that can be spent at the discretion of LINC.

During March 2023, the Board of Directors approved the establishment of a board designated fund which was funded by a \$1,000,000 transfer from undesignated without donor restricted funds. The purpose of this fund is to enable LINC to undertake projects not otherwise supported by LINC’s regular fundraising and other revenue-generating activities, support established program priorities, support capital expenditures, help offset operating deficits or unbudgeted expenditures, and support other programs, activities and operations.

- With donor restrictions

##### Temporary donor restrictions

Net assets with temporary donor restrictions consist of contributions that are restricted by the donor for a specific project or purpose or relate to future periods.

##### Perpetual donor restrictions

Net assets with perpetual donor restrictions are subject to donor imposed restrictions requiring that they be maintained in perpetuity. LINC did not have any net assets with perpetual donor restrictions as of June 30, 2024 and June 30, 2023.

##### Contributions

LINC records contributions as revenue without donor restrictions unless the donor stipulates a time or limits the use of the donated assets.

Contributions received with donor stipulations that limit the use of the donated assets are reported as support with perpetual or temporary donor restrictions. When a donor stipulation regarding a contribution with temporary donor restriction expires – that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished – net assets with temporary donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of investments are recorded at fair value on the date of the gift.

**LITERACY, INC.****Notes to Financial Statements (continued)**  
**June 30, 2024****Note 2 – Summary of significant accounting policies (continued)****Revenue recognition**

LINC receives grants from government agencies in exchange for the performance of various services. LINC recognizes government grant revenue as expenses are incurred to a maximum of the grant award.

Funding contracts are often subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if an audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying financial statements.

**Cash equivalents**

LINC considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. LINC's cash equivalents consist of money market funds.

**Investments**

Investments are recorded at fair value based on publicly quoted market prices.

**Fair value measurements**

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three levels. LINC's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

**Allowance for doubtful accounts**

LINC does not have an allowance for doubtful accounts as of June 30, 2024 and June 30, 2023, for grants, contributions and accounts receivable that may not be collectible. Such estimates are based on management's experience, the aging of the receivables, subsequent receipts, current economic conditions and expected future economic conditions. LINC did not increase the allowance for doubtful accounts and did not have any bad debt write offs in the 2023 fiscal year and 2024 fiscal year.

**Property and equipment**

Acquisitions of property and equipment in excess of \$1,000 and with an estimated useful life of longer than a year are capitalized and recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. As of June 30, 2024, LINC's property and equipment were fully depreciated.

**LITERACY, INC.****Notes to Financial Statements (continued)**  
**June 30, 2024****Note 2 – Summary of significant accounting policies (continued)****Operating leases**

Right-of-use assets and lease liabilities for operating leases are recognized at the lease commencement date based on the future lease payments over the expected lease term. LINC has elected to exclude leases with terms shorter than twelve months.

**Agency funds**

LINC received funds from other organizations that require LINC to act as an agent and to spend the funds in accordance with the other organization's requirements. These funds were recorded as a liability on the statement of financial position until the funds were spent in 2024.

**Functional expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Natural expenses attributable to more than one functional expense category are allocated using cost allocation techniques primarily consisting of salary and wages and time and effort reporting.

**Contributed nonfinancial assets**

During the 2024 and 2023 fiscal years, LINC received professional services, program event support and contributions of books and materials. These goods and services were used in LINC's programs and supporting activities and would have had to be purchased by LINC if they had not been donated. The goods and services, totaling \$95,659 in 2024 and \$116,450 in 2023, were recorded at the fair value based on what it would have cost LINC to purchase them independently and recognizes contributed nonfinancial assets within support and revenue in the statement of activities. Unless otherwise noted, the contributed nonfinancial assets do not have donor-imposed restrictions.

**Concentrations of credit risk**

LINC's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and contributions, grants and accounts receivable. LINC places its cash and cash equivalents with what it believes to be quality financial institutions. LINC invests in U.S. Treasury Bills. LINC's contributions, grants and accounts receivable consist principally of amounts due from foundations, corporations and government sources. LINC believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and contributions, grants and accounts receivable.

## LITERACY, INC.

### Notes to Financial Statements (continued) June 30, 2024

#### **Note 2 – Summary of significant accounting policies (continued)**

##### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

##### Subsequent events

LINC has evaluated events and transactions for potential recognition or disclosure through January 28, 2025, which is the date the financial statements were available to be issued.

#### **Note 3 – Liquidity and availability of financial assets**

LINC's working capital and cash flows have seasonal variations during the year attributable to cash receipts from contributions, government grants, special events and other items.

The following is a summary of LINC's financial assets as of June 30, 2024 and June 30, 2023 that are available for general use within one year of the statement of financial position date:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 985,420	\$ 967,983
Investment in U.S. Treasury Obligations, at fair value	5,686,992	2,071,582
Contributions and grants receivable expected to be collected in one year	2,262,716	3,189,644
Accounts receivable	<u>38,249</u>	<u>168,746</u>
Sub-total	8,973,377	6,397,955
Less: Board designated fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Financial assets available for general expenditures within one year	<u>\$ 7,973,377</u>	<u>\$ 5,397,955</u>

The Board designated fund noted above could be used for purposes described in note 2 if approved by the Executive Committee of the Board of Directors.

In addition, LINC also has a \$200,000 line of credit (see note 9) that can be utilized during the fiscal year if necessary.

## LITERACY, INC.

### Notes to Financial Statements (continued)

June 30, 2024

#### Note 4 – Contributions, grants and accounts receivable

Contributions, grants and accounts receivable consist of the following as of June 30, 2024 and June 30, 2023 and are due as follows:

	<u>2024</u>	<u>2023</u>
Foundations and corporations	\$ 697,283	\$1,714,400
City of New York	1,399,518	1,439,021
State of New York	57,500	80,000
Event	108,415	31,223
Fees for services	<u>38,249</u>	<u>168,746</u>
Sub-total	<u>2,300,965</u>	<u>3,433,390</u>
Due within one year	2,300,965	3,358,390
Due within two years	<u>-</u>	<u>75,000</u>
Total	<u>\$2,300,965</u>	<u>\$3,433,390</u>

#### Note 5 – Employee retention credits

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act and subsequent legislation (the “Acts”) were signed into law to provide, among other things, refundable employee retention credits for qualified employees for wages paid or incurred from March 13, 2020 through September 30, 2021. In connection therewith, such credits for the year ended June 30, 2024 totaled \$758,841 and are recorded as revenue in the 2024 statement of activities.

#### Note 6 – Net assets without donor restrictions

The following is a summary of the activity of the net assets without donor restrictions for the years ended June 30, 2023 and June 30, 2024:

	<u>Undesignated</u>	<u>Board designated</u>	<u>Total</u>
Balance, June 30, 2022	\$ 3,223,697	\$ -	\$3,223,697
Increase in net assets	199,484	-	199,484
Interfund transfer	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>
Balance, June 30, 2023	2,423,181	1,000,000	3,423,181
Increase in net assets	<u>536,990</u>	<u>-</u>	<u>536,990</u>
Balance, June 30, 2024	<u>\$ 2,960,171</u>	<u>\$1,000,000</u>	<u>\$3,960,171</u>

## LITERACY, INC.

### Notes to Financial Statements (continued)

June 30, 2024

#### Note 7 – Net assets with temporary donor restrictions

The following is a summary of the activity of the net assets with temporary donor restrictions for the years ended June 30, 2024 and June 30, 2023:

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2023</u>			<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2024</u>
		<u>Contributions and Grants</u>	<u> </u>	<u> </u>	
Mimi Levin Lieber Award	\$ 6,746	\$ -		\$ -	\$ 6,746
Literacy support/timing	<u>2,550,000</u>	<u>3,940,763</u>		<u>(1,804,980)</u>	<u>4,685,783</u>
Total	<u>\$ 2,556,746</u>	<u>\$ 3,940,763</u>		<u>\$ (1,804,980)</u>	<u>\$ 4,692,529</u>

  

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2022</u>			<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2023</u>
		<u>Contributions and Grants</u>	<u> </u>	<u> </u>	
Mimi Levin Lieber Award	\$ 6,746	\$ -		\$ -	\$ 6,746
Literacy support/timing	<u>2,787,127</u>	<u>1,925,000</u>		<u>(2,162,127)</u>	<u>2,550,000</u>
Total	<u>\$ 2,793,873</u>	<u>\$ 1,925,000</u>		<u>\$ (2,162,127)</u>	<u>\$ 2,556,746</u>

#### Note 8 – Mimi Levin Lieber Award

In connection with its 10th Anniversary Gala, LINC established and solicited donations for the Mimi Levin Lieber Award fund. Additional contributions to the fund were made in subsequent years. The contributions are to be used to provide cash awards to community partners in recognition of their efforts in support of early literacy. The awards are named in honor of LINC's Founder, Mimi Levin Lieber. The contributions are recorded as net assets with temporary donor restrictions, and the interest earned on such funds is without donor restrictions.

#### Note 9 – Line of credit

LINC has available a \$200,000 revolving line of credit which is up for renewal annually. Any borrowings on the line of credit require interest at the bank's prime rate plus 2.0%. The line of credit is secured by certain of LINC's personal property, as outlined in the agreement. As of June 30, 2024, there were no outstanding borrowings.

#### Note 10 – Operating lease obligations

##### Office space

LINC leases office space under two lease agreements. In addition to the monthly rent payments totaling \$6,010, LINC is also charged for electricity, storage and use of a conference room. In connection with the lease agreements as of June 30, 2023, LINC had paid security deposits totaling \$12,020. These leases expired on September 30, 2023.

## LITERACY, INC.

### Notes to Financial Statements (continued) June 30, 2024

#### **Note 10 – Operating lease obligations (continued)**

##### Office space (continued)

In August 2023, LINC extended their office space lease agreements. Commencing October 1, 2023, the leases required a monthly payment of \$7,063. The leases expire at various dates through September 30, 2025. In connection with the lease agreements, LINC paid security deposits totaling \$14,126.

In January 2024, LINC entered into a two year lease agreement for new office space. Commencing January 15, 2024, the lease requires a monthly payment of \$1,250. In connection with the lease agreement, LINC paid a security deposit of \$3,750.

Rent expense consists of the total minimum payments to be made over the life of the leases, recognized annually on a straight-line basis. The difference between the cumulative annual straight-line minimum rents and the rent actually paid is recorded as a deferred rent credit and included in the operating lease payable in the accompanying statement of financial position. Occupancy expense for the years ended June 30, 2024 and June 30, 2023 was \$103,653 and \$98,512, respectively.

##### Office equipment

In December 2023, LINC entered into a 39 month lease agreement for office equipment. Commencing December 1, 2023, the lease requires monthly payments of \$592.

The following is a summary of the future rent payments due under the lease agreements as of June 30, 2024:

<u>Fiscal year</u>	<u>Amount</u>
2025	\$ 63,429
2026	25,179
2027	4,736
Total	<u>\$ 93,344</u>

#### **Note 11 – Retirement plan**

LINC maintains a tax-deferred annuity plan (the “Plan”) for all eligible employees. Employees can make voluntary contributions to the Plan in accordance with Internal Revenue Code regulations. LINC makes discretionary contributions to the Plan up to 2% of employee compensation. The Plan expense for the years ended June 30, 2024 and June 30, 2023 was \$58,632 and \$61,129, respectively.

#### **Note 12 – Tax status**

LINC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, LINC has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1) of the Code and qualifies for the maximum charitable deduction for donors.

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**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***

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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza  
New York, NY 10004-1405  
Tel: (212) 661 - 7777  
Fax: (212) 661 - 4010

To the Board of Directors of  
Literacy, Inc.

We have audited, in accordance with the 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 Literacy, Inc. ("LINC"), which comprise the statement of financial position as of June 30, 2024 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 28, 2025.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LINC's internal control over financial reporting (internal control) as a basis for designing 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 LINC's internal control. Accordingly, we do not express an opinion on the effectiveness of LINC'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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LINC's financial statements are free from 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 financial statements. 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 LINC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LINC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cordian O'Neal McElroy : Domely LLP*

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

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

***Opinion on Each Major Federal Program***

We have audited Literacy, Inc. ("LINC")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of LINC's major federal programs for the year ended June 30, 2024. LINC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, LINC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LINC and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of LINC's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to LINC's federal programs.

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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza  
New York, NY 10004-1405  
Tel: (212) 661 - 7777  
Fax: (212) 661 - 4010

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LINC's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LINC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 LINC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LINC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 LINC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Condon O'Meara McElroy + Donelly LLP*

## LITERACY, INC.

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract Award Number</u>	<u>Total Expenditures</u>
<b>United States Department of Education:</b> Innovative Approaches to Literacy; Full-Service Community Schools; and Promise Neighborhood	84.215K	S215K230262	\$ <u>800,000</u>
<b>Total expenditures of federal awards</b>			<b>\$ <u>800,000</u></b>

**LITERACY, INC.****Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2024****Note 1 – Summary of significant accounting policies****Basis of presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the activities in all the Federal programs of Literacy, Inc. (“LINC”) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LINC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LINC.

**Indirect cost rate**

LINC has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## LITERACY, INC.

# **Schedule of Findings and Questioned Costs**

## **Year Ended June 30, 2024**

## **Section 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
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 weaknesses? \_\_\_\_\_ 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 2 CFR Section 200.516(a)? Yes ✓ No

ALN Program Names

84.215K Innovative Approaches to Literacy; Full-Service Community Schools; and Promise Neighborhood

Dollar threshold used to distinguish between type A  
and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes ✓ No

**LITERACY, INC.**

**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended June 30, 2024**

**Section II – Financial Statement Findings and Questioned Costs**

There were no findings on questioned costs for the year ended June 30, 2024.

**Section III – Federal Award Findings and Questioned Costs**

There were no findings for the year ended June 30, 2024.