

LITERACY, INC.

**Financial Statements
for years ended
June 30, 2025
and
June 30, 2024**



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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, 2025 and June 30, 2024 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, 2025 and June 30, 2024 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. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 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.

Condon O'Meara McHenry & Donnelly LLP

LITERACY, INC.

Statement of Financial Position

Assets

	June 30	
	<u>2025</u>	<u>2024</u>
Current assets		
Cash and cash equivalents	\$ 926,645	\$ 985,420
Investments, at fair value	4,389,002	5,686,992
Contributions and grants receivable, net	2,068,805	2,262,716
Accounts receivable and other	64,176	38,249
Prepaid expenses	<u>50,716</u>	<u>49,035</u>
Total current assets	7,499,344	9,022,412
Contributions and grants receivable, net of current portion	635,000	-
Security deposit	10,450	17,876
Right-of-use assets – operating leases	<u>29,653</u>	<u>92,782</u>
Total assets	<u>\$8,174,447</u>	<u>\$9,133,070</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 329,580	\$ 387,026
Operating leases payable	<u>25,179</u>	<u>29,915</u>
Total current liabilities	354,759	416,941
Operating leases payable, net of current portion	<u>4,736</u>	<u>63,429</u>
Total current liabilities	<u>359,495</u>	<u>480,370</u>
Net assets		
Without donor restrictions		
Undesignated	3,075,059	2,960,171
Board designated	<u>1,000,000</u>	<u>1,000,000</u>
Total without donor restrictions	4,075,059	3,960,171
With donor restrictions	<u>3,739,893</u>	<u>4,692,529</u>
Total net assets	<u>7,814,952</u>	<u>8,652,700</u>
Total liabilities and net assets	<u>\$8,174,447</u>	<u>\$9,133,070</u>

See notes to financial statements.

LITERACY, INC.

Statement of Activities

	Year Ended June 30					
	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Foundation and corporate contributions	\$ 244,861	\$ 2,045,500	\$2,290,361	\$ 245,219	\$ 3,640,763	\$3,885,982
Individual contributions	600,861	-	600,861	293,743	300,000	593,743
Governmental grants	1,479,518	-	1,479,518	2,244,518	-	2,244,518
Special event (net of direct costs of \$198,786 in 2025 and \$182,765 in 2024)	465,172	-	465,172	595,802	-	595,802
Contributed nonfinancial assets	70,151	-	70,151	95,659	-	95,659
Employee retention credits	-	-	-	758,481	-	758,481
Other revenue	281,560	-	281,560	252,527	-	252,527
Net assets released from restrictions	2,998,136	(2,998,136)	-	1,804,980	(1,804,980)	-
Total support and revenue	<u>6,140,259</u>	<u>(952,636)</u>	<u>5,187,623</u>	<u>6,290,929</u>	<u>2,135,783</u>	<u>8,426,712</u>
Expenses						
Program services	4,992,162	-	4,992,162	4,692,206	-	4,692,206
Supporting activities						
Management and general	374,840	-	374,840	497,709	-	497,709
Fundraising	658,369	-	658,369	564,024	-	564,024
Total supporting activities	<u>1,033,209</u>	<u>-</u>	<u>1,033,209</u>	<u>1,061,733</u>	<u>-</u>	<u>1,061,733</u>
Total expenses	<u>6,025,371</u>	<u>-</u>	<u>6,025,371</u>	<u>5,753,939</u>	<u>-</u>	<u>5,753,939</u>
Increase (decrease) in net assets	114,888	(952,636)	(837,748)	536,990	2,135,783	2,672,773
Net assets, beginning of year	<u>3,960,171</u>	<u>4,692,529</u>	<u>8,652,700</u>	<u>3,423,181</u>	<u>2,556,746</u>	<u>5,979,927</u>
Net assets, end of year	<u>\$ 4,075,059</u>	<u>\$ 3,739,893</u>	<u>\$7,814,952</u>	<u>\$ 3,960,171</u>	<u>\$ 4,692,529</u>	<u>\$8,652,700</u>

See notes to financial statements.

LITERACY, INC.
Statement of Functional Expenses
Year Ended June 30, 2025
(with Summarized Comparative Financial Information
for the Year Ended June 30, 2024)

	<u>2025</u>			<u>2024</u>	
	<u>Supporting Activities</u>			<u>Total</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>		
Salaries	\$ 3,284,459	\$ 240,326	\$ 480,653	\$ 4,005,438	\$ 3,717,632
Payroll taxes and benefits	699,387	51,175	102,349	852,911	695,397
Consultant fees	315,130	813	25,611	341,554	415,200
Professional fees	164,448	68,579	192	233,219	303,092
Program expenses	242,590	489	968	244,047	164,495
Office supplies	5,821	347	688	6,856	7,992
Staff development and training	14,114	842	1,668	16,624	46,610
Occupancy	65,896	3,932	7,789	77,617	103,653
Telephone and internet	10,106	603	1,194	11,903	5,081
Computer technology	8,166	488	965	9,619	10,725
Printing and publications	12,471	744	1,474	14,689	12,924
Insurance	16,854	1,005	1,992	19,851	21,029
Payroll service	10,035	599	1,186	11,820	11,545
Dues and subscriptions	48,608	2,901	5,744	57,253	46,480
Miscellaneous	33,465	1,997	16,356	51,818	96,425
Special events	-	-	198,786	198,786	182,765
Sub-total of expenses by function without contributed nonfinancial assets	4,931,550	374,840	847,615	6,154,005	5,841,045
Less: direct costs of special events net with revenue on the statement of activities	-	-	198,786	198,786	182,765
Sub-total without contributed nonfinancial assets	4,931,550	374,840	648,829	5,955,219	5,658,280
Contributed professional services	-	-	9,540	9,540	29,752
Contributed program event support	-	-	-	-	23,830
Contributed books and materials	60,612	-	-	60,612	42,077
Sub-total contributed nonfinancial assets	60,612	-	9,540	70,152	95,659
Total	\$ 4,992,162	\$ 374,840	\$ 658,369	\$ 6,025,371	\$ 5,753,939

See notes to financial statements.

LITERACY, INC.
Statement of Functional Expenses
Year Ended June 30, 2024

	<u>Supporting Activities</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	
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
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
Sub-total without contributed nonfinancial assets	4,650,629	493,957	513,694	5,658,280
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
Sub-total contributed nonfinancial assets	41,577	3,752	50,330	95,659
Total	\$ 4,692,206	\$ 497,709	\$ 564,024	\$5,753,939

See notes to financial statements.

LITERACY, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (837,748)	\$2,672,773
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Donated stock received	(25,186)	(113,438)
Sale of donated stock	25,186	113,438
(Increase) decrease in assets		
Contributions and grants receivable	(441,089)	1,001,928
Accounts receivable and other	(25,927)	130,497
Prepaid expenses	(1,681)	2,562
Security deposit	7,426	(5,856)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(57,446)	39,328
Agency funds	-	(208,947)
Net change in operating leases	<u>(300)</u>	<u>562</u>
Net cash provided by (used in) operating activities	<u>(1,356,765)</u>	<u>3,632,847</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	9,669,384	3,887,963
Purchases of investments	(8,079,623)	(7,499,276)
Net change in money market funds	<u>(291,771)</u>	<u>(4,097)</u>
Net cash provided by (used in) investing activities	<u>1,297,990</u>	<u>(3,615,410)</u>
Net increase (decrease) in cash and cash equivalents	(58,775)	17,437
Cash and cash equivalents, beginning of year	<u>985,420</u>	<u>967,983</u>
Cash and cash equivalents, end of year	<u>\$ 926,645</u>	<u>\$ 985,420</u>

See notes to financial statements.

LITERACY, INC.

Notes to Financial Statements June 30, 2025 and 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.

LINC equips children with the foundational literacy skills essential for Kindergarten readiness and academic achievement by empowering families and mobilizing the community. LINC builds an ecosystem of literacy surrounding children starting on day one, when it matters most. We strengthen the capacity of parents, caregivers, educators, and community partners, and support early language and literacy development. As a result, every child can become a confident reader, every parent is empowered to be their child’s first and most important teacher, and every community partner is equipped to engage families in literacy-rich learning. In fiscal year 2025, the citywide coalitions we lead—City’s First Readers and Upper Manhattan Early Childhood Connect—reached more than 1 million families in NYC. Our direct-service programs worked intensively with 3,211 caregivers, reaching more than 5,000 children, and distributed 6,323 books to families.

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, 2025 and June 30, 2024.

LITERACY, INC.**Notes to Financial Statements (continued)
June 30, 2025 and June 30, 2024****Note 2 – Summary of significant accounting policies (continued)****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. If a contribution or grant agreement contains a right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to overcome, LINC recognizes support for these conditional contributions when the related barrier to entitlement has been substantially overcome.

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

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, which is over a period of time.

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.

LINC considers special event revenue to be both an exchange and a contribution transaction. LINC's performance obligation and condition of the contribution are to host the event for its registered attendees. Payments are received upon the event registration support and revenue are recognized at a point in time when the event takes place for both the exchange and contribution transaction.

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 and certificates of deposit.

Investments

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

LITERACY, INC.**Notes to Financial Statements (continued)
June 30, 2025 and June 30, 2024****Note 2 – Summary of significant accounting policies (continued)**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 credit losses

As of June 30, 2025 and June 30, 2024, the LINC management has determined that there are no potentially uncollectible receivables and thus, an allowance for credit losses is not necessary. Such estimate is based on management's experience, the aging of receivables, subsequent receipts and current and anticipated future economic conditions. During fiscal 2025, LINC had \$23,275 of bad debt write-offs. There were no bad debt write-offs in 2024.

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, 2025 and June 30, 2024, LINC's property and equipment were fully depreciated.

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.

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 2025 and 2024 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 \$70,152 in 2025 and \$95,659 in 2024, 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.

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2025 and June 30, 2024

Note 2 – Summary of significant accounting policies (continued)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 Obligations. 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.

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 October 8, 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, 2025 and June 30, 2024 that are available for general use within one year of the statement of financial position date:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 926,645	\$ 985,420
Investments, at fair value	4,389,002	5,686,992
Contributions and grants receivable expected to be collected in one year	2,068,805	2,262,716
Accounts receivable and other	<u>64,176</u>	<u>38,249</u>
Sub-total	7,448,628	8,973,377
Less: Board designated fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Financial assets available for general expenditures within one year	<u>\$ 6,448,628</u>	<u>\$ 7,973,377</u>

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2025

Note 3 – Liquidity and availability of financial assets (continued)

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.

Note 4 – Investments, at fair value

The following is a summary of the fair value of the investments at June 30, 2025 and June 30, 2024:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 295,868	\$ 4,097
Equities	7,785	-
U.S. Treasury obligations	<u>4,085,349</u>	<u>5,682,895</u>
Total	<u>\$ 4,389,002</u>	<u>\$ 5,686,992</u>

Note 5 – Contributions, grants and accounts receivable

Contributions, grants and accounts receivable consist of the following as of June 30, 2025 and June 30, 2024 and are due as follows:

	<u>2025</u>	<u>2024</u>
Foundations and corporations	\$ 604,921	\$ 697,283
City of New York	977,484	1,399,518
State of New York	125,000	57,500
Event	81,400	108,415
Individual	915,000	-
Fees for services	41,922	38,249
Other	<u>22,254</u>	<u>-</u>
Sub-total	<u>2,767,981</u>	<u>2,300,965</u>
Due within one year	2,132,981	2,300,965
Due within one to five years	<u>635,000</u>	<u>-</u>
Total	<u>\$ 2,767,981</u>	<u>\$ 2,300,965</u>

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2025 and June 30, 2024

Note 6 – 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 7 – 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, 2024 and June 30, 2025:

	<u>Undesignated</u>	<u>Board designated</u>	<u>Total</u>
Balance, June 30, 2023	\$ 2,423,181	\$1,000,000	\$3,423,181
Interfund transfer	<u>536,990</u>	<u>-</u>	<u>536,990</u>
Balance, June 30, 2024	2,960,171	1,000,000	3,960,171
Increase in net assets	<u>114,888</u>	<u>-</u>	<u>114,888</u>
Balance, June 30, 2025	<u>\$ 3,075,059</u>	<u>\$1,000,000</u>	<u>\$4,075,059</u>

Note 8 – 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, 2025 and June 30, 2024:

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2024</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2025</u>
Mimi Levin Lieber Award	\$ 6,746	\$ -	\$ -	\$ 6,746
Literacy support/timing	<u>4,685,783</u>	<u>2,045,500</u>	<u>(2,998,136)</u>	<u>3,733,147</u>
Total	<u>\$ 4,692,529</u>	<u>\$ 2,045,500</u>	<u>\$ (2,998,136)</u>	<u>\$ 3,739,893</u>

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2023</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2024</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>

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2025 and June 30, 2024

Note 9 – 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 10 – 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, 2025, there were no outstanding borrowings.

Note 11 – Operating lease obligations

Office space

LINC leases office space under a lease agreement which was up for renewal on September 30, 2025. In addition to the monthly rent payments totaling \$3,450 (through September 30, 2025), LINC is also charged for electricity, storage and use of a conference room. The lease was extended for one year until September 30, 2026 at a monthly rate of \$3,553. In connection with the lease agreement, LINC paid a security deposit of \$6,700.

In January 2024, LINC entered into a two year lease agreement for additional office space. Commencing January 15, 2024, the lease requires a monthly payment of \$1,287. 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, 2025 and June 30, 2024 was \$77,617 and \$103,653, 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, 2025:

<u>Fiscal year</u>	<u>Amount</u>
2026	\$ 25,179
2027	4,736
Total	<u>\$ 29,915</u>

LITERACY, INC.**Notes to Financial Statements (continued)
June 30, 2025 and June 30, 2024****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, 2025 and June 30, 2024 was \$70,183 and \$58,632, 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.