

**LITERACY, INC.**

**Financial Statements  
for year ended  
June 30, 2022**

## **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, 2022 and June 30, 2021 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, 2022 and June 30, 2021 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 McHugh & Donnelly LLP*

December 8, 2022

## LITERACY, INC.

## Statement of Financial Position

## Assets

	June 30	
	2022	2021
<b>Current assets</b>		
Cash and cash equivalents	\$5,182,486	\$3,072,811
Investment in U.S. Treasury Bills, at fair value	570,169	599,893
Contributions and grants receivable, net	1,910,725	853,474
Accounts receivable, net	88,197	24,908
Prepaid expenses	39,710	28,546
Total current assets	7,791,287	4,579,632
<b>Contributions and grants receivable, net of current portion</b>	300,000	-
<b>Property and equipment, at cost, net</b>	357	1,072
<b>Security deposit</b>	14,626	14,626
<b>Total assets</b>	<b>\$8,106,270</b>	<b>\$4,595,330</b>

## Liabilities and Net Assets

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 301,716	\$ 211,625
Agency funds	1,786,984	73,216
Total current liabilities	2,088,700	284,841
<b>PPP loan payable</b>	-	500,000
Total liabilities	2,088,700	784,841
<b>Net assets</b>		
Without donor restrictions	3,223,697	2,357,778
With donor restrictions	2,793,873	1,452,711
Total net assets	6,017,570	3,810,489
<b>Total liabilities and net assets</b>	<b>\$8,106,270</b>	<b>\$4,595,330</b>

See notes to financial statements.

LITERACY, INC.

Statement of Activities

	Year Ended June 30		
	2022		2021
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Foundation and corporate contributions	\$ 287,204	\$ 2,146,000	\$ 2,433,204
Individual contributions	684,542	800,000	1,484,542
Governmental grants	1,462,572	-	1,462,572
Government grant -- PPP	500,000	-	500,000
Special event (net of direct costs of \$121,698 in 2022 and \$47,728 in 2021)	607,588	-	607,588
Contributed nonfinancial assets	201,416	-	201,416
Employee retention credits	181,310	-	181,310
Other revenue	(1,614)	-	(1,614)
Net assets released from restrictions	1,604,838	(1,604,838)	-
Total support and revenue	5,527,856	1,341,162	6,869,018
<b>Expenses</b>			
Program services	3,827,145	-	3,827,145
Supporting activities			
Management and general	339,775	-	339,775
Fundraising	495,017	-	495,017
Total supporting activities	834,792	-	834,792
Total expenses	4,661,937	-	4,661,937
Increase (decrease) in net assets	865,919	1,341,162	2,207,081
Net assets, beginning of year	2,357,778	1,452,711	3,810,489
Net assets, end of year	\$ 3,223,697	\$ 2,793,873	\$ 6,017,570

See notes to financial statements.

**LITERACY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**  
**(with Summarized Comparative Financial Information**  
**for the Year Ended June 30, 2021)**

	<u>2022</u>			<u>2021</u>	
	<u>Supporting Activities</u>				
	<u>Program</u>	<u>Management</u>	<u>Fund-</u>	<u>Total</u>	<u>Total</u>
	<u>Services</u>	<u>and</u>	<u>Raising</u>		
		<u>General</u>			
Salaries	\$ 2,408,450	\$ 209,141	\$ 295,723	\$2,913,314	\$2,305,965
Payroll taxes and benefits	415,943	36,121	51,072	503,136	375,047
Consultants fee	59,067	25,590	76,289	160,946	97,614
Professional fees	297,559	46,779	7,387	351,725	249,755
Program expenses	290,962	1,973	1,561	294,496	239,400
Office supplies	12,191	1,059	1,619	14,869	2,471
Staff development & training	32,601	2,838	3,983	39,422	13,055
Occupancy	73,317	5,091	9,003	87,411	73,312
Telephone and internet	4,943	430	607	5,980	8,290
Printing and publications	15,723	1,365	2,210	19,298	24,219
Depreciation	591	51	73	715	715
Insurance	12,168	1,056	1,494	14,718	12,757
Payroll service	-	3,807	-	3,807	2,864
Dues and subscriptions	16,566	1,438	2,034	20,038	6,146
Miscellaneous	20,252	1,762	8,632	30,646	47,748
Special events	-	-	121,698	121,698	47,728
Sub-total of expenses by function without contributed nonfinancial assets	3,660,333	338,501	583,385	4,582,219	3,507,086
Less: direct costs of special events net with revenue on the statement of activities	-	-	121,698	121,698	47,728
<b>Sub-total without contributed nonfinancial assets</b>	<b>3,660,333</b>	<b>338,501</b>	<b>461,687</b>	<b>4,460,521</b>	<b>3,459,358</b>
Contributed legal services	-	-	-	-	13,422
Contributed professional services	146,705	-	-	146,705	8,315
Contributed program event support	-	-	33,330	33,330	-
Contributed office space	-	1,274	-	1,274	27,560
Contributed books and materials	20,107	-	-	20,107	55,297
<b>Sub-total contributed nonfinancial assets</b>	<b>166,812</b>	<b>1,274</b>	<b>33,330</b>	<b>201,416</b>	<b>104,594</b>
<b>Total</b>	<b>\$ 3,827,145</b>	<b>\$ 339,775</b>	<b>\$ 495,017</b>	<b>\$4,661,937</b>	<b>\$3,563,952</b>

See notes to financial statements.

**LITERACY, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

		<u>Supporting Activities</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries	\$ 1,830,297	\$ 186,975	\$ 288,693	\$ 2,305,965
Payroll taxes and benefits	297,683	30,410	46,954	375,047
Consultants	35,892	15,577	46,145	97,614
Professional fees	211,422	33,222	5,111	249,755
Program expenses	239,400	-	-	239,400
Office supplies	1,962	200	309	2,471
Staff development & training	10,362	1,059	1,634	13,055
Occupancy	57,895	7,082	8,335	73,312
Telephone and internet	6,580	672	1,038	8,290
Printing and publications	19,223	1,964	3,032	24,219
Depreciation	568	57	90	715
Insurance	10,126	1,034	1,597	12,757
Payroll service	-	2,864	-	2,864
Dues and subscriptions	5,077	436	633	6,146
Miscellaneous	29,035	1,494	17,219	47,748
Special events	-	-	47,728	47,728
Sub-total of expenses by function without contributed nonfinancial assets	2,755,522	283,046	468,518	3,507,086
Less: direct costs of special events net with revenue on the statement of activities	-	-	47,728	47,728
<b>Sub-total without contributed nonfinancial assets</b>	<b>2,755,522</b>	<b>283,046</b>	<b>420,790</b>	<b>3,459,358</b>
<b>Contributed nonfinancial assets</b>				
Contributed legal services	-	13,422	-	13,422
Contributed professional services	6,658	-	1,657	8,315
Contributed program event support	-	-	-	-
Contributed office space	23,938	1,424	2,198	27,560
Contributed books and materials	55,297	-	-	55,297
<b>Sub-total contributed nonfinancial assets</b>	<b>85,893</b>	<b>14,846</b>	<b>3,855</b>	<b>104,594</b>
<b>Total</b>	<b>\$ 2,841,415</b>	<b>\$ 297,892</b>	<b>\$ 424,645</b>	<b>\$ 3,563,952</b>

See notes to financial statements.

## LITERACY, INC.

## Statement of Cash Flows

	Year Ended June 30	
	2022	2021
<b>Cash flows from operating activities</b>		
Increase in net assets	\$2,207,081	\$ 349,499
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	715	715
Forgiveness of PPP loan	(500,000)	(491,107)
Donated stock received	(39,388)	(59,742)
Sale of donated stock	39,388	59,742
(Increase) decrease in assets		
Contributions and grants receivable, net	(1,357,251)	159,626
Accounts receivable, net	(63,289)	117,833
Prepaid expenses	(11,164)	(2,295)
Security deposit	-	1,044
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	90,091	67,172
Agency funds	1,713,768	(103,631)
Net cash provided by operating activities	<u>2,079,951</u>	<u>98,856</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	900,000	1,367,840
Purchases of investments	<u>(870,276)</u>	<u>(1,717,811)</u>
Net cash provided by (used in) investing activities	<u>29,724</u>	<u>(349,971)</u>
<b>Cash flows provided by financing activities</b>		
Proceeds from PPP loan payable	<u>-</u>	<u>500,000</u>
Net increase in cash and cash equivalents	2,109,675	248,885
Cash and cash equivalents, beginning of year	<u>3,072,811</u>	<u>2,823,926</u>
Cash and cash equivalents, end of year	<u>\$5,182,486</u>	<u>\$3,072,811</u>

See notes to financial statements.



## LITERACY, INC.

### Notes to Financial Statements June 30, 2022

#### **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.

- 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, 2022 and June 30, 2021.

##### 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, 2022****Note 2 – Summary of significant accounting policies (continued)**Cash equivalents

LINC considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. Included in cash equivalents are 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 had an allowance for doubtful accounts of \$5,000 as of June 30, 2021, for grants, contributions and accounts receivable that may not be collectible. There was no allowance for doubtful accounts as of June 30, 2022. Such estimates are based on management's experience, the aging of the receivables, subsequent receipts and the current economic conditions.

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.

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 are recorded as a liability on the statement of financial position until the funds are spent.

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 a cost allocation techniques primarily consisting of salary and wages and time and effort reporting.

**LITERACY, INC.****Notes to Financial Statements (continued)**  
**June 30, 2022****Note 2 – Summary of significant accounting policies (continued)****Contributed nonfinancial assets**

During the 2022 and 2021 fiscal years, LINC received legal services, 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 \$201,416 in 2022 and \$104,594 in 2021, 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.

**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 December 8, 2022, 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.

## LITERACY, INC.

Notes to Financial Statements (continued)  
June 30, 2022**Note 3 – Liquidity and availability of financial assets (continued)**

The following is a summary of LINC's financial assets as of June 30, 2022 and June 30, 2021 that are available for general use within one year of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,182,486	\$ 3,072,811
Investment in U.S. Treasury Bills, at fair value	570,169	599,893
Contributions and grants receivable expected to be collected in one year, net	1,910,725	853,474
Accounts receivable, net	<u>88,197</u>	<u>24,908</u>
Total	<u>\$ 7,751,577</u>	<u>\$ 4,551,086</u>

In addition, LINC has a \$200,000 line of credit (see note 10) that can be utilized during the fiscal year if necessary.

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

Contributions, grants and accounts receivable consist of the following as of June 30, 2022 and June 30, 2021 and are due as follows:

	<u>2022</u>	<u>2021</u>
Foundations and corporations	\$ 639,800	\$ 311,523
City of New York	1,411,275	434,176
State of New York	85,500	65,500
Event	74,150	40,600
Fees for services	88,197	20,000
Individuals and other receivables	<u>-</u>	<u>11,583</u>
Sub-total	<u>2,298,922</u>	<u>883,382</u>
Due within one year	1,998,922	883,382
Due within two years	<u>300,000</u>	<u>-</u>
Sub-total	<u>2,298,922</u>	<u>883,382</u>
Less: allowance for doubtful accounts	<u>-</u>	<u>5,000</u>
Total	<u>\$2,298,922</u>	<u>\$ 878,382</u>

# LITERACY, INC.

## Notes to Financial Statements (continued) June 30, 2022

### **Note 5 – Property and equipment, at cost, net**

A summary of property and equipment and related accumulated depreciation as of June 30, 2022 and June 30, 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 13,631	\$ 13,631
Program equipment	<u>10,750</u>	<u>10,750</u>
Sub-total	24,381	24,381
Less: accumulated depreciation	<u>24,024</u>	<u>23,309</u>
Net property and equipment	<u>\$ 357</u>	<u>\$ 1,072</u>

### **Note 6 – Paycheck Protection Program loans payable**

#### 2020 Paycheck protection program loan

During the 2020 fiscal year, LINC applied for and received \$491,107 under the Paycheck Protection Program (“PPP”) which was a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. LINC had elected to record the proceeds as a liability until the loan was, in part or wholly, forgiven and LINC was legally released. LINC has spent all of the proceeds in accordance with the terms of the PPP loan program and this loan was forgiven in its entirety during May 2021. The loan forgiveness is reflected as a government grant in the 2021 statement of activities.

#### 2021 Paycheck protection program loan

During the 2021 fiscal year, LINC applied for and received a second draw loan under the PPP totaling \$500,000 at substantially the same terms as the first draw under the PPP. LINC had elected to record the proceeds as a liability until the loan is, in part or wholly, forgiven and LINC was legally released. LINC received loan forgiveness in its entirety during February 2022 and the forgiveness is reflected as a government grant in the 2022 statement of activities.

### **Note 7 – 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, 2022 totaled \$181,310 and are recorded as revenue on the statement of activities.

## LITERACY, INC.

Notes to Financial Statements (continued)  
June 30, 2022**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, 2022 and June 30, 2021:

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2021</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2022</u>
Mimi Levin Lieber Award	\$ 6,746	\$ -	\$ -	\$ 6,746
Literacy support/timing	1,445,965	2,946,000	(1,604,838)	2,787,127
Total	<u>\$ 1,452,711</u>	<u>\$ 2,946,000</u>	<u>\$ (1,604,838)</u>	<u>\$ 2,793,873</u>

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2020</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2021</u>
Mimi Levin Lieber Award	\$ 6,746	\$ -	\$ -	\$ 6,746
Literacy support/timing	1,560,550	1,091,000	(1,205,585)	1,445,965
Total	<u>\$ 1,567,296</u>	<u>\$1,091,000</u>	<u>\$(1,205,585)</u>	<u>\$ 1,452,711</u>

**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%. As of June 30, 2022 the interest rate was 6%. The line of credit is secured by certain of LINC's personal property, as outlined in the agreement. As of June 30, 2022, there were no outstanding borrowings.

# LITERACY, INC.

## Notes to Financial Statements (continued) June 30, 2022

### Note 11 – Office lease agreements

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, LINC has paid security deposits totaling \$14,626. Occupancy expense for the years ended June 30, 2022 and June 30, 2021 was \$87,411 and \$100,872, of which \$-0- and \$27,560 respectively, was donated. The leases expire at various dates through September 30, 2023.

The following is a summary of the future rent payments due as of June 30, 2022:

<u>Fiscal year</u>	<u>Amount</u>
2023	\$ 72,120
2024	18,030
Total	<u>\$ 90,150</u>

### Note 12 – 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, 2022 and June 30, 2021 was \$42,175 and \$40,431, respectively.

### Note 13 – 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.