

PROLITERACY WORLDWIDE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2021 and 2020

PROLITERACY WORLDWIDE

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1-2
Financial Statements	
Statements of Financial Position – June 30, 2021 and 2020	3
Statement of Activities and Changes in Net Assets – year ended June 30, 2021	4
Statement of Activities and Changes in Net Assets – year ended June 30, 2020	5
Statement of Functional Expenses – year ended June 30, 2021	6
Statement of Functional Expenses – year ended June 30, 2020	7
Statements of Cash Flows – years ended June 30, 2021 and 2020	8
Notes to Financial Statements	9-21
Supplementary Information	
Calculation of Indirect Cost Rate – year ended June 30, 2021 and 2020	22



grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ProLiteracy Worldwide
Syracuse, New York

We have audited the accompanying financial statements of ProLiteracy Worldwide, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProLiteracy Worldwide as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The calculation of indirect cost rate schedule on page 22 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Grossman St Amour CPAs

Syracuse, New York
September 17, 2021

PROLITERACY WORLDWIDE, INC.
Statements of Financial Position

ASSETS:	June 30,	
	2021	2020
Cash and cash equivalents	\$ 383,635	\$ 417,146
Accounts receivable - publishing, net	1,745,712	1,311,970
Prepaid expenses	290,479	306,149
Inventory of publications held for sale, net	952,706	995,234
Other assets	31,200	21,508
Investments	15,823,502	12,890,905
Property and equipment, net	237,471	116,885
TOTAL ASSETS	\$ 19,464,705	\$ 16,059,797
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued expenses	\$ 1,238,297	\$ 803,769
Royalties payable	101,526	107,008
Deferred revenue	476,171	657,153
Reserve for split-interest trusts	1,442,140	1,319,981
Paycheck Protection Program loan payable	546,840	538,000
TOTAL LIABILITIES	3,804,974	3,425,911
NET ASSETS:		
Without donor restrictions	12,286,993	10,021,707
With donor restrictions	3,372,738	2,612,179
TOTAL NET ASSETS	15,659,731	12,633,886
TOTAL LIABILITIES AND NET ASSETS	\$ 19,464,705	\$ 16,059,797

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

PROLITERACY WORLDWIDE, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Support:			
Grants - foundation and corporate	\$ 628,007	\$ -	\$ 628,007
Contributions	596,620	-	596,620
Legacies & bequests	248,976	-	248,976
Program services revenue:			
Publications	7,661,408	-	7,661,408
Membership dues	134,429	-	134,429
Training and accreditation	6,355	-	6,355
Board approved investment spending	100,000	-	100,000
Paycheck protection program loan forgiveness	538,000	-	538,000
Other income	25,086	-	25,086
	<u>9,938,881</u>	<u>-</u>	<u>9,938,881</u>
Net assets released from restrictions	178,888	(178,888)	-
Total operating revenues	<u>\$ 10,117,769</u>	<u>\$ (178,888)</u>	<u>\$ 9,938,881</u>
EXPENSES AND LOSSES:			
Operating expenses:			
Program and program services	\$ 7,818,370	\$ -	\$ 7,818,370
Management	1,777,618	-	1,777,618
Fundraising	457,498	-	457,498
Total program and support services expenses	<u>10,053,486</u>	<u>-</u>	<u>10,053,486</u>
Bad debt expense	1,997	-	1,997
Total operating expenses	<u>10,055,483</u>	<u>-</u>	<u>10,055,483</u>
Non-operating activities:			
Change in value of split interest trusts	(267,139)	-	(267,139)
Investment earnings	<u>2,470,139</u>	<u>939,447</u>	<u>3,409,586</u>
Increase from non-operating activities	2,203,000	939,447	3,142,447
Changes in net assets	2,265,286	760,559	3,025,845
Net assets, beginning	<u>10,021,707</u>	<u>2,612,179</u>	<u>12,633,886</u>
Net assets, ending	<u>\$ 12,286,993</u>	<u>\$ 3,372,738</u>	<u>\$ 15,659,731</u>

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

PROLITERACY WORLDWIDE, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES:			
Support:			
Grants - foundation and corporate Contributions	\$ 785,983	\$ -	\$ 785,983
Legacies & bequests	348,088	238,406	586,494
	5	-	5
Program services revenue:			
Publications	7,564,413	-	7,564,413
Membership dues	139,629	-	139,629
Conference income	472,590	-	472,590
Training and accreditation	20,033	-	20,033
Board approved investment spending	503,779	-	503,779
Other income	15,344	-	15,344
	<u>9,849,864</u>	<u>238,406</u>	<u>10,088,270</u>
Net assets released from restrictions	<u>230,350</u>	<u>(230,350)</u>	<u>-</u>
Total operating revenues	<u>\$ 10,080,214</u>	<u>\$ 8,056</u>	<u>\$ 10,088,270</u>
EXPENSES AND LOSSES:			
Operating expenses:			
Program and program services	\$ 8,354,920	\$ -	\$ 8,354,920
Management	1,689,401	-	1,689,401
Fundraising	543,311	-	543,311
Total program and support services expenses	<u>10,587,632</u>	<u>-</u>	<u>10,587,632</u>
Bad debt expense	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>10,587,632</u>	<u>-</u>	<u>10,587,632</u>
Non-operating activities:			
Change in value of split interest trusts	(26,602)	-	(26,602)
Investment earnings	<u>(309,998)</u>	<u>68,894</u>	<u>(241,104)</u>
Increase (decrease) from non-operating activities	(336,600)	68,894	(267,706)
Changes in net assets	(844,018)	76,950	(767,068)
Net assets, beginning	<u>10,865,725</u>	<u>2,535,229</u>	<u>13,400,954</u>
Net assets, ending	<u>\$ 10,021,707</u>	<u>\$ 2,612,179</u>	<u>\$ 12,633,886</u>

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

PROLITERACY WORLDWIDE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program and Program Services			Support Services			Total Expenses
	Program and Professional Services	Publishing	Total Programs	Management	Fundraising	Total Support	
Salaries and related expenses:							
Salaries	\$ 520,824	\$ 1,275,556	\$ 1,796,380	\$ 821,399	\$ 302,744	\$ 1,124,143	\$ 2,920,523
Employee benefits	51,396	129,746	181,142	104,033	35,758	139,791	320,933
Payroll taxes	40,299	87,387	127,686	51,912	23,274	75,186	202,872
Total salaries and related expenses	612,519	1,492,689	2,105,208	977,344	361,776	1,339,120	3,444,328
Other operating expenses:							
Grants and allocations	197,703	-	197,703	-	-	-	197,703
Consultants and professional fees	243,201	1,271,544	1,514,745	340,645	20,778	361,423	1,876,168
Supplies and software	30,848	264,555	295,403	103,790	47,975	151,765	447,168
Telephone and communications	10,288	17,827	28,115	23,852	1,085	24,937	53,052
Postage, delivery and shipping	7,710	370,775	378,485	2,495	4,563	7,058	385,543
Occupancy and related costs	79,826	337,600	417,426	252,331	8,755	261,086	678,512
Printing and publications	63,577	2,790,749	2,854,326	2,533	11,625	14,158	2,868,484
Travel, conferences, conventions	4,081	22,878	26,959	6,622	941	7,563	34,522
Depreciation	-	-	-	68,006	-	68,006	68,006
Total other operating expenses	637,234	5,075,928	5,713,162	800,274	95,722	895,996	6,609,158
Total program and support services expenses	1,249,753	6,568,617	7,818,370	1,777,618	457,498	2,235,116	10,053,486
Bad debt expense	-	1,997	1,997	-	-	-	1,997
Total operating expenses	\$ 1,249,753	\$ 6,570,614	\$ 7,820,367	\$ 1,777,618	\$ 457,498	\$ 2,235,116	\$ 10,055,483

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

PROLITERACY WORLDWIDE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program and Program Services			Support Services			Total Expenses
	Program and Professional Services	Publishing	Total Programs	Management	Fundraising	Total Support	
Salaries and related expenses:							
Salaries	\$ 566,240	\$ 1,318,011	\$ 1,884,251	\$ 742,369	\$ 312,164	\$ 1,054,533	\$ 2,938,784
Employee benefits	57,197	148,181	205,378	125,846	43,373	169,219	374,597
Payroll taxes	39,976	77,878	117,854	60,174	21,639	81,813	199,667
Total salaries and related expenses	663,413	1,544,070	2,207,483	928,389	377,176	1,305,565	3,513,048
Other operating expenses:							
Grants and allocations	199,451	-	199,451	-	-	-	199,451
Consultants and professional fees	273,826	1,607,602	1,881,428	339,801	75,864	415,665	2,297,093
Supplies	15,510	19,577	35,087	23,138	1,057	24,195	59,282
Telephone and communications	16,592	18,337	34,929	15,894	1,391	17,285	52,214
Postage, delivery and shipping	13,736	383,168	396,904	2,135	6,067	8,202	405,106
Occupancy and related costs	175,730	465,624	641,354	274,607	29,126	303,733	945,087
Printing and publications	81,935	2,377,081	2,459,016	5,794	15,827	21,621	2,480,637
Travel, conferences, conventions	332,382	126,775	459,157	80,331	36,803	117,134	576,291
Depreciation	13,370	26,741	40,111	19,312	-	19,312	59,423
Total other operating expenses	1,122,532	5,024,905	6,147,437	761,012	166,135	927,147	7,074,584
Total program and support services expenses	1,785,945	6,568,975	8,354,920	1,689,401	543,311	2,232,712	10,587,632
Bad debt expense	-	-	-	-	-	-	-
Total operating expenses	\$ 1,785,945	\$ 6,568,975	\$ 8,354,920	\$ 1,689,401	\$ 543,311	\$ 2,232,712	\$ 10,587,632

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

PROLITERACY WORLDWIDE, INC.
Statements of Cash Flows

	Years ended June 30,	
	2021	2020
Cash flow from operating activities:		
Change in net assets	\$ 3,025,845	\$ (767,068)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	68,006	59,423
Bad debt expense	1,997	-
Net unrealized (gain) losses on investments	(2,789,419)	(443,271)
Forgiveness of Paycheck Protection Program loan	(538,000)	-
Change in value of split-interest agreements	267,139	26,602
Changes in operating assets and liabilities:		
Accounts receivable	(435,739)	60,413
Prepaid expenses and other assets	5,978	16,735
Inventory of publications held for sale	42,528	(279,439)
Accounts payable and accrued expenses	434,528	(195,588)
Deferred income	(180,982)	(86,445)
Royalties payable	(5,482)	(26,144)
Net cash used in operating activities	(103,601)	(1,634,782)
Cash flow from investing activities:		
Reinvested investment gains and income	443,428	1,501,270
Purchase of property and equipment	(188,592)	(24,733)
Payments of trust obligations	(38,782)	(267,336)
Proceeds from sale of investments	2,177,517	4,426,737
Purchase of investments	(2,845,321)	(4,505,923)
Contributions restricted for investment	(25,000)	(25,000)
Net cash provided by (used in) investing activities	(476,750)	1,105,015
Cash flow from financing activities:		
Proceeds from Paycheck Protection Program loans	546,840	538,000
Net increase (decrease) in cash and cash equivalents	(33,511)	8,233
Cash and cash equivalents, beginning of year	417,146	408,913
Cash and cash equivalents, end of year	<u>\$ 383,635</u>	<u>\$ 417,146</u>
Supplemental non-cash investing activities:		
Disposal of fully depreciated equipment	<u>\$ 548,394</u>	<u>\$ -</u>

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

PROLITERACY WORLDWIDE
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

ProLiteracy Worldwide ("the Organization") is an educational organization that champions the power of literacy through its programs and publications, training and professional development services, research, and advocacy. The Organization works together with members and partners and the adult learners they serve, and with local, national, and international organizations that have common missions, goals and objectives. The Organization is instrumental in building the capacity and quality of programs teaching adults to read, write, compute, use technology, and to learn English as a new language.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Classification of Net Assets

The net assets have been classified as without donor restriction or with donor restriction based on the existence and/or nature of any donor imposed restrictions. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions and net assets without donor restriction. The Organization utilizes the following net asset categories:

Without Donor Restrictions

Consists of publishing revenue, membership dues, investment income and development earned that are available for the Organization's general use. This also consists of investments designated by the Organization's Board of Directors for operational use.

With Donor Restrictions

Consists of contributions that have been subject to specific donor imposed restrictions for use. Net assets with donor restrictions were \$3,372,738 and \$2,612,179 at June 30, 2021 and 2020, respectively. Net assets with donor restrictions include funds functioning as an endowment in addition to funds restricted for purpose or time designations.

Liquidity

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in investment accounts. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable equity securities. The Organization submits grant or contract payment requests as expenditures are incurred and are allowable per grant or contract terms.

PROLITERACY WORLDWIDE
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Availability of Resources

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing services, as well as improving the quality of programs to support those activities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient publication revenue, membership dues, and contributions to cover general expenditures. Refer to the statements of cash flows, which identifies the sources of the Organization's cash and shows positive cash generated by operations for fiscal years 2021 and 2020.

	2021	2020
Cash and cash equivalents	\$ 383,635	\$ 417,146
Accounts receivable - publishing, net	1,745,712	1,311,970
Inventory of publications held for sale, net	952,706	995,234
Other assets	31,200	21,508
Investments	15,823,502	12,890,905
Total financial assets	18,936,755	15,636,763
Net assets with donor restrictions	(1,303,388)	(1,013,089)
Quasi endowment established by the board	(2,069,350)	(1,599,090)
Financial assets available to meet general expenditures over the next twelve months	\$ 15,564,017	\$ 13,024,584

Cash and Cash Equivalents

For financial statement reporting purposes, the Organization considers all highly liquid investments with a maturity of three months or less when purchased or donated to be cash equivalents.

Investments

In accordance with FASB ASC Sub-Topic 958-320, relating to the accounting for certain investments held by non-profit organizations, investments are carried at estimated fair value based on quoted market prices. Investments received through gifts are recorded at estimated fair market value at the date of donation. Investment income or losses (including realized gains and losses on investments, interest and dividends) are reported when earned and included as operating revenues in the Statement of Activities. Unrealized gains and losses have been classified in non-operating activities in the Statement of Activities. In the absence of any donor-imposed or legal restrictions on how investment income may be used, gains are reported as an increase in net assets without donor restrictions. A loss, realized or unrealized, is recorded as a decrease in net assets without donor restrictions. If donor restrictions do exist on the use of an investment, the gain or loss is shown as an increase or decrease in net assets with donor restrictions. Investment income (i.e., interest and dividends) earned during the year is reported as an increase in net assets without donor restrictions, unless the income's use is donor restricted; in that case, net assets with donor restrictions are increased.

PROLITERACY WORLDWIDE
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Inventory of Publications Held for Sale

Inventory is carried at the lower of cost or market value using the first-in, first-out method (FIFO) of valuing inventory and shown net of the allowance for slow moving and obsolete inventory, which totaled \$50,000 as of June 30, 2021 and 2020, respectively. Inventory costs include printing, production, royalties, and other publication costs directly relating to the publications held for sale.

Property and Equipment

Property is recorded at cost at the date of acquisition or in the case of a gift, fair value at the date of donation, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range between three and ten years for most computer equipment, furniture, and office equipment. Certain office improvements, when applicable, are depreciated over fifteen years. When property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the Statements of Activities. The Organization capitalizes all expenditures for property and equipment that exceed \$500.

Endowments

The Organization's endowments consist of approximately 11 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as indicated in the Statements of Financial Position.

The Board of the Organization has utilized New York State's *Advice for Non-For-Profit Corporations on the Appropriation of Endowment Fund Appreciation* to develop its interpretation of the current requirements as they relate to endowment fund assets and the maintenance of historical dollar value (HDV) of individual endowments.

In accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA) regulations, the Organization records all accumulated appreciation or depreciation of endowment assets as net assets with donor restrictions or net assets without donor restrictions, based on the existence or absence of donor-imposed restrictions. When funds are considered to have a donor-imposed restriction, they are included in net assets with donor restriction until the funds are appropriated for spending, at which time they are moved to net assets without donor restrictions. Under NYPMIFA guidelines, the Organization, with donor approval and Board approval, has the option to spend below the HDV of the individual endowments. Under NYPMIFA, unless an endowment fund grant instrument specifically requires the Organization to maintain the purchasing power of such fund, the Organization is not charged with maintaining such purchasing power.

For 2021 and 2020, the Organization has set the annual spending rate maximum limit at 5% of Board Designated Funds. The activity in the endowment funds is shown in the Statement of Activities. During 2021 and 2020, approximately \$100,000 and \$504,000 was appropriated for expenditure, respectively. The amount appropriated for expenditure during 2021 and 2020 was used for research, publications, and budgeting.

PROLITERACY WORLDWIDE
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Split Interest Agreements

The Organization is the beneficiary of trusts, annuities and pooled income funds. The Organization's interest in these split interest agreements is reported as a contribution in the year received at its net present value, adjusted annually, based upon actuarially determined rates.

Accounts Receivable

Accounts receivable relate to publication sales and are reported at the estimated net realizable value. The Organization recorded an allowance for doubtful accounts of approximately \$10,000 and \$5,400 at June 30, 2021 and 2020, respectively. The Organization recognized \$1,997 of bad debt expense during 2021 and no bad debt expense during 2020. Bad debt expense during 2021 was the result of uncollectible receivables related to sales.

Income Taxes

The Organization is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Organization's publishing activities, although regularly carried on, are considered a significant contributor to the accomplishment of the Organization's mission, goals and objectives and therefore not subjected to unrelated business income tax (UBIT). For the years ended June 30, 2021 and 2020, no provision for UBIT has been included in the Statements of Activities.

Uncertain Tax Positions

In accordance with the disclosure provisions of FASB ASC Sub-Topic 740-19 which addresses accounting for uncertainties in income taxes, as of and for the years ended June 30, 2021 and 2020, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. It is the Organization's policy to recognize any interest and penalties in the provision for taxes. The Organization's returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

Royalties

Royalties payable represent amounts due to authors based upon contractual agreements for specific percentages from current year sales of publications. Royalties paid in advance of sales, if any, are included in other assets on the Statements of Financial Position.

Revenue Recognition and Contributions

The Organization adopted FASB ASU 2014-09, Revenue from Contracts with Customers. This ASU provides new revenue recognition that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled to in exchanges for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization elected to early adopt the revenue standard for the year ended June 30, 2019 using the full retrospective method.

PROLITERACY WORLDWIDE
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition and Contributions (continued)

Contributions are recognized as revenue when they are received or unconditionally pledged. Grants are provided by foundation and corporate agencies and recognized as allowable expenditures are incurred. Contributions and grant revenue are classified into net assets with donor restrictions or without donor restrictions. Contributions of long-lived assets received without donor stipulations are recorded at fair value as net assets without donor restriction. Net assets with donor restrictions are reclassified to net assets without donor restriction upon satisfaction of time or purpose restrictions.

The Organization reports gifts, cash and other assets as net assets with donor restrictions if they are received with donor stipulations, which limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. The Organization has adopted a policy requiring all grant revenue and contributions be recorded as net assets without donor restriction if the restriction expires in the same reporting period. Grants and pledges receivable represent amounts committed by donors that have not been received by the Organization. There are no grants and pledges receivable as of June 30, 2021 and 2020.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets; (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization reports such contributions at their estimated fair market value in the period received. For the years ended June 30, 2021 and 2020, the Organization did not receive a substantial amount of unpaid volunteer support nor professional services.

Revenue related to the sales of publications is recognized when products are sold and the performance obligation is satisfied once the product is delivered. Historically, costs or losses associated with future returns of publications have not been significant and therefore have not been accrued by the Organization as of June 30, 2021 and 2020.

Membership dues are amortized over a year and the subscription agreements are amortized based on the length of subscription obtained. Conference fees are recognized when earned upon completion of the conference.

Bequests

Bequests are recorded as income when the respective instrument is probated and substantial notification of the bequest is received.

Shipping and Handling Costs

Shipping and handling costs are included in the Statements of Activities and Statements of Functional Expenses as a component of Program Services - Publishing since these amounts represent the direct costs of shipping the Organization's publications to its customers.

PROLITERACY WORLDWIDE
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Retirement Plan

The Organization maintains a defined contribution retirement plan with OneGroup covering employees who have completed two years of service and work at least 20 hours per week. The Organization sponsors this 403(b) plan, which provides for employee contributions and discretionary employer matching contributions. The Organization's employer retirement contribution is 2% for each pay period, as well as an additional discretionary contribution of up to 2% for the plan year, per board approval. The amount contributed by the Organization will be equal to the amount contributed by the employee, with a maximum match of 4%. Employer retirement contributions for the years ended June 30, 2021 or 2020 were approximately \$51,000 and \$46,000, respectively.

Methods Used for Allocation of Expenses between Program and Supporting Services

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs based upon management's estimates of the benefit directly derived by the program. Indirect costs (overhead and other general and administrative expenses that could not be directly allocated) for the years ended June 30, 2021 and 2020 have been calculated as the percentage of total administrative costs to total costs. Certain costs have been allocated among the programs benefited, based on management's estimate of time spent, occupancy or usage. Costs specifically identified to a program are charged directly to that program where possible.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Risks and Uncertainties

Investment securities (including cash equivalents) are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the Statements of Financial Position and the Statements of Activities.

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The spread of the virus globally in 2020 and 2021 has caused business disruption in the geographical area where the Organization operates. As detailed in Note 9, the Organization received two Paycheck Protection Program loans totaling \$1,084,840 to help mitigate the impact of the pandemic on its operations. As of September 17, 2021, there continues to be uncertainty surrounding this pandemic and the extent of future financial impacts cannot be reasonably estimated at this time.

PROLITERACY WORLDWIDE
Notes to Financial Statements

2. Fair Value Measurement

Investments, consisting principally of equity securities and shares in mutual funds, are stated at market value. Unrealized and realized gains and losses are reported in the Statements of Activities. The Organization's investments are reported at fair value in the accompanying Statements of Activities. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Organization.

Level 1 Fair Value Measurements: The fair values of cash equivalents, mutual funds including fixed income, domestic equity, international equity, developing markets, infrastructure, real estate, commodities, and natural resources are based on the closing price reported in the active market where the individual securities are traded, when available.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2021:

Description	Assets			
	Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Mutual funds				
Fixed income	\$ 3,507,146	\$ 3,507,146	\$ -	\$ -
Domestic equity	5,292,560	5,292,560	-	-
International equity	3,210,177	3,210,177	-	-
Developing markets	1,124,474	1,124,474	-	-
Infrastructure	643,457	643,457	-	-
Natural resources	554,056	554,056	-	-
Real estate	387,374	387,374	-	-
Total mutual funds	14,719,244	14,719,244	-	-
Common stock - large cap	681,294	681,294		
Cash and cash equivalents	422,964	422,964	-	-
	\$ 15,823,502	\$ 15,823,502	\$ -	\$ -

PROLITERACY WORLDWIDE
Notes to Financial Statements

2. Fair Value Measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2020:

Description	Assets			
	Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Mutual funds				
Fixed income	\$ 3,330,314	\$ 3,330,314	\$ -	\$ -
Domestic equity	4,017,428	4,017,428	-	-
International equity	2,560,010	2,560,010	-	-
Developing markets	872,456	872,456	-	-
Infrastructure	307,930	307,930	-	-
Natural resources	633,509	633,509	-	-
Real estate	228,871	228,871	-	-
Miscellaneous	3,905	3,905	-	-
Total mutual funds	11,954,423	11,954,423	-	-
Common stock - large cap	574,460	574,460		
Cash and cash equivalents	362,022	362,022	-	-
	\$ 12,890,905	\$ 12,890,905	\$ -	\$ -

3. Investments

Investments are classified in the following categories at June 30:

		2021	2020
Unrestricted funds	(a)	\$ 3,631,163	\$ 3,119,223
Board designated	(a)	7,797,434	6,178,396
Annuities life	(b)	381,333	316,509
Life income funds	(c)	167,081	143,604
Revocable and Irrevocable trusts	(d)	1,777,141	1,534,083
Quasi-endowment funds	(e)	2,069,350	1,599,090
		<u>\$ 15,823,502</u>	<u>\$ 12,890,905</u>

(a) Unrestricted and Board Designated Funds

These funds are unrestricted as to their use and may be used for any purpose as determined by the Board of Trustees. They represent the portion of expendable funds that is available to support the Organization's operating activities.

PROLITERACY WORLDWIDE
Notes to Financial Statements

3. Investments

(b) Annuities

The Organization acts as trustee on numerous annuity contracts under which the donor made an initial contribution to support the Organization's operating activities. The Organization has contracted to pay the donor a specific periodic amount over the donor's remaining life. These contracts are administered by either the Organization or an insurance company. Investments represent assets to be used for payment of annuities over the expected remaining life of the donor. The Organization holds assets greater than or equal to 115% of amounts payable under these annuities as required by New York State law. This requires the assets held by the Organization to be greater than approximately \$158,000 and \$187,000 at June 30, 2021 and 2020, respectively. The Organization met these requirements in both fiscal years and these funds are classified as net assets with donor restrictions.

(c) Life Income Funds

The Organization is trustee of several life income funds whereby the grantor has made an initial contribution and the Organization makes periodic income payments to the grantor. Upon death of the grantor, all trust assets become the unrestricted property of the Organization. These funds are classified as net assets with donor restrictions.

(d) Revocable and Irrevocable Trusts

The Organization acts as trustee on all associated revocable and irrevocable trusts. Investment income and, when necessary and applicable, trust principal is used to make income payments to the donors. Investment performance and distributions to donors will cause the value of these assets to fluctuate over time. These funds are classified as net assets with donor restrictions.

(e) Quasi-Endowment Funds

Certain endowment funds are subject to donor-imposed restrictions under the related gift instruments. As such, the principal portion of these funds is classified as donor restricted and the income generated is classified as without donor restriction. The Organization's Board of Trustees earmarked a portion of its net assets without donor restrictions as a board-designated endowment to be invested to provide income for an unspecified period of time. This board-designated endowment, which results from an internal designation, is not donor restricted and is classified as net assets without donor restrictions.

PROLITERACY WORLDWIDE
Notes to Financial Statements

4. Investment Return

The following schedule summarizes investment return and classification in the Statements of Activities for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 187,242	\$ 81,445	\$ 268,687
Realized gain	370,555	80,925	451,480
Total realized & interest	557,797	162,370	720,167
Unrealized gain	2,012,342	777,077	2,789,419
Total gain	<u>\$ 2,570,139</u>	<u>\$ 939,447</u>	3,509,586
Less - Board approved investment spending			(100,000)
Investment earnings - net gain			<u>\$ 3,409,586</u>

The following schedule summarizes investment return and classification in the Statements of Activities for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 273,508	\$ 98,313	\$ 371,821
Realized gain	185,243	148,882	334,125
Total realized & interest	458,751	247,195	705,946
Unrealized loss	(264,970)	(178,301)	(443,271)
Total gain	<u>\$ 193,781</u>	<u>\$ 68,894</u>	262,675
Less - Board approved investment spending			(503,779)
Investment earnings - net loss			<u>\$ (241,104)</u>

The change in value of split interest trusts for 2021 and 2020 was \$267,139 and \$26,602. These changes are due to increases or decreases in trust donations, as well as market performance.

5. Property and Equipment

Major classes of property and equipment as of June 30 are as follows:

	2021	2020
Furniture and office equipment	\$ 1,025,504	\$ 1,383,635
Less accumulated depreciation	(788,033)	(1,266,750)
	<u>\$ 237,471</u>	<u>\$ 116,885</u>

For the years ended June 30, 2021 and 2020, depreciation expense totaled approximately \$68,000 and \$59,000, respectively. Approximately \$548,000 of fully depreciated equipment was disposed of during the 2021 fiscal year.

PROLITERACY WORLDWIDE
Notes to Financial Statements

6. Split-Interest Agreements

Arrangements under which the Organization shares benefit with donors and other entities are accounted for as split-interest agreements. Assets are recorded in the Statements of Financial Position at fair market value and are included in investments. Life income and trust reserves are determined based on assumptions including a 6% rate of return for June 30, 2021 and 2020, various discount rates and life expectancy tables.

Split interest agreements consisted of the following at June 30, 2021:

	Investments at Fair Market		
	Value	Reserve	Net
Life income funds	\$ 167,081	\$ 6,706	\$ 160,375
Irrevocable trusts	1,777,141	1,277,785	499,356
Annuities	381,333	157,649	223,684
	<u>\$ 2,325,555</u>	<u>\$ 1,442,140</u>	<u>\$ 883,415</u>

Split interest agreements consisted of the following at June 30, 2020:

	Investments at Fair Market		
	Value	Reserve	Net
Life income funds	\$ 143,604	\$ 6,706	\$ 136,898
Irrevocable trusts	1,534,083	1,126,221	407,862
Annuities life	316,509	187,054	129,455
	<u>\$ 1,994,196</u>	<u>\$ 1,319,981</u>	<u>\$ 674,215</u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Annuity, PLIFs, and trust agreements	\$ 1,303,388	\$ 987,077
Bible project (Colvin)	-	1,956
Mobile Learning Fund	-	14,522
National Book Fund	-	9,534
	<u>1,303,388</u>	<u>1,013,089</u>
Quasi-endowments	2,069,350	1,599,090
Total net assets with donor restrictions	<u>\$ 3,372,738</u>	<u>\$ 2,612,179</u>

PROLITERACY WORLDWIDE
Notes to Financial Statements

8. Net Assets Released from Restriction

Net assets were released from donor-imposed restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors. Purpose restrictions accomplished in the years ended June 30 were:

	<u>2021</u>	<u>2020</u>
Mobile Learning Fund	\$ 14,972	\$ 60,293
National Book Fund	160,914	155,057
Professional development	-	15,000
Bible project (Colvin)	1,956	-
International funds	1,046	-
	<u>\$ 178,888</u>	<u>\$ 230,350</u>

9. Paycheck Protection Program Loan

On April 16, 2020, the Organization was granted a loan from NBT Bank of \$538,000 through the Small Business Association, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business.

Under the terms of the PPP, the loan balance can be fully or partially forgiven based on the use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements to the bank in accordance with the requirements of the PPP Program. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of principal and interest payments for up to 10 months from the end of the covered period. The Organization received notification from NBT Bank in November 2020 that the SBA had approved its application for loan forgiveness in full. As such, the balance of \$538,000 has been recognized as revenue for the 2021 fiscal year and is shown in the Statement of Activities and Changes in Net Assets.

In addition, the Organization applied for an additional PPP loan in 2021 and received funds of \$546,840 on January 23, 2021. Under the terms of the PPP Second Draw, the loan balance can be forgiven, in full or part, based on the use of the funds for qualifying expenses in accordance with the requirements of the CARES Act. Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of principal and interest payments for up to 17 months after the disbursement date, if no application for forgiveness is submitted. The Organization has used the funds to cover expenses qualifying for full forgiveness and is in the process of applying for loan forgiveness. As an application for forgiveness has not yet been approved, the balance of \$546,840 has been recognized as a liability at June 30, 2021 in the Statement of Financial Position.

10. Operating Leases

The Organization is committed under an operating agreement for warehouse space. The lease term ends on May 31, 2022. Rental expense for the warehouse during both 2021 and 2020 was approximately \$63,000.

PROLITERACY WORLDWIDE
Notes to Financial Statements

10. Operating Leases (continued)

The Organization is committed under an operating agreement for copiers. The lease term is five years commencing on May 1, 2017 and ending on April 30, 2022. The operating lease calls for fixed monthly payments of approximately \$1,200, which includes service costs.

The Organization is committed under an operating agreement for office space. The lease term is ten years commencing on May 1, 2012. The operating lease calls for fixed monthly payments of \$25,536. Rental expense for this office space during 2021 and 2020 was \$306,435. Future minimum rental payments on the Organization's operating leases for the fiscal year ending June 30, 2022 are expected to be \$351,135. The Organization is in the process of evaluating new operating lease options, including the possible extension of current leases beyond the 2022 fiscal year.

11. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of unsecured accounts receivable relating to sales of publications.

The Organization maintains its principal banking relationship with one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times, the Organization has amounts on deposit with this one financial institution in excess of the amounts insured by the FDIC. Additionally, the Organization at times may maintain securities and cash balances at this financial institution. Securities Investor Protection Corporation protects balances up to \$500,000 for securities held by this financial institution. Management believes the risk in these situations is minimal.

12. Subsequent Events

The Organization has evaluated subsequent events through September 17, 2021, which is the date the financial statements were available to be issued. The ProLiteracy 2021 biennial Conference on Adult Education has been cancelled and full refunds will be issued for all registration fees. There were no other material subsequent events that required recognition or additional disclosure in these financial statements.

PROLITERACY WORLDWIDE, INC.
Calculation of Indirect Cost Rate
For the Year Ended June 30, 2021 and 2020

2021			
Program Services (a)	Fundraising (b)	Management (c)	Rate (c)/(a+b+c)
\$ 7,818,370	\$ 457,498	\$ 1,777,618	17.68%
(a) Program services			<u>\$ 7,818,370</u>
(b) Fundraising			<u>\$ 457,498</u>
(c) Management			<u>\$ 1,777,618</u>
2020			
Program Services (a)	Fundraising (b)	Management (c)	Rate (c)/(a+b+c)
\$ 8,354,920	\$ 543,311	\$ 1,689,401	15.96%
(a) Program services			<u>\$ 8,354,920</u>
(b) Fundraising			<u>\$ 543,311</u>
(c) Management			<u>\$ 1,689,401</u>