PROLITERACY WORLDWIDE

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2023 and 2022

PROLITERACY WORLDWIDE

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ProLiteracy Worldwide, which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ProLiteracy Worldwide as of June 30, 2023 and 2022, and the changes in its net assets 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 (GAAS). 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 ProLiteracy Worldwide 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 ProLiteracy Worldwide's ability to continue as a going concern for one year after the date that the financial statements are issued.

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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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 ProLiteracy Worldwide'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 ProLiteracy Worldwide's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 23 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
October 2, 2023

PROLITERACY WORLDWIDE, INC.
Statements of Financial Position

	June 30, 2023		June 30, 2022	
ASSETS:				
Cash and cash equivalents	$	244,040	$	1,192,568
Accounts receivable - publishing, net		997,319		1,443,244
Prepaid expenses		304,313		309,515
Inventory of publications held for sale, net		1,126,312		1,160,361
Other assets		-		21,600
Investments		14,402,866		13,284,988
Operating right-of-use-assets		506,015		-
Property, leasehold improvements and equipment, net		482,065		191,979
TOTAL ASSETS	$	18,062,930	$	17,604,255
LIABILITIES AND NET ASSETS:				
Accounts payable and accrued expenses	$	1,557,648	$	1,317,637
Royalties payable		113,584		104,000
Deferred revenue		339,927		756,108
Reserve for split-interest trusts		1,265,369		1,321,966
Line of credit		374,611		-
Operating lease liability		575,948		-
TOTAL LIABILITIES		4,227,087		3,499,711
NET ASSETS:				
Without donor restrictions		10,170,178		10,491,166
With donor restrictions		3,665,665		3,613,378
TOTAL NET ASSETS		13,835,843		14,104,544
TOTAL LIABILITIES AND NET ASSETS	$	18,062,930	$	17,604,255

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Support:			
Grants - foundation and corporate	$ 1,282,355	$ 252,645	**$ 1,535,000**
Contributions	536,929	43,788	**580,717**
Legacies and bequests	60,697	-	**60,697**
Program services revenue:			
Publications	7,272,154	-	**7,272,154**
Membership dues	129,788	-	**129,788**
Conference income	262,733	-	**262,733**
Training and accreditation	847	-	**847**
Board approved investment spending	564,396	-	**564,396**
Other income	70,753	-	**70,753**
	10,180,652	296,433	**10,477,085**
Net assets released from restrictions	512,841	(512,841)	**-**
Total operating revenues	$ 10,693,493	$ (216,408)	**$ 10,477,085**
EXPENSES AND LOSSES:			
Operating expenses:			
Program and program services	$ 8,725,687	$ -	**$ 8,725,687**
Management	2,423,056	-	**2,423,056**
Fundraising	208,626	-	**208,626**
Total program and support services expenses	11,357,369	-	**11,357,369**
Bad debt expense	3,710	-	**3,710**
Total operating expenses	11,361,079	-	**11,361,079**
Non-operating activities:			
Change in value of split interest trusts	(58,250)	-	**(58,250)**
Investment earnings	404,848	268,695	**673,543**
Increase from non-operating activities	346,598	268,695	**615,293**
Changes in net assets	(320,988)	52,287	**(268,701)**
Net assets, beginning	10,491,166	3,613,378	**14,104,544**
Net assets, ending	$ 10,170,178	$ 3,665,665	**$ 13,835,843**

PROLITERACY WORLDWIDE, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Support:			
Grants - foundation and corporate	$ 1,393,634	$ -	**$ 1,393,634**
Contributions	423,878	-	**423,878**
Legacies and bequests	1,608,239	-	**1,608,239**
Program services revenue:			
Publications	8,030,745	-	**8,030,745**
Membership dues	139,554	-	**139,554**
Training and accreditation	16,578	-	**16,578**
Board approved investment spending	414,637	-	**414,637**
Paycheck protection program loan forgiveness	546,840		**546,840**
Other income	42,774	-	**42,774**
	12,616,879	-	**12,616,879**
Net assets released from restrictions	162,848	(162,848)	**-**
Total operating revenues	$ 12,779,727	$ (162,848)	**$ 12,616,879**
EXPENSES AND LOSSES:			
Operating expenses:			
Program and program services	$ 8,810,544	$ -	**$ 8,810,544**
Management	2,251,466	-	**2,251,466**
Fundraising	705,905	-	**705,905**
Total program and support services expenses	11,767,915	-	**11,767,915**
Bad debt expense	13,185	-	**13,185**
Total operating expenses	11,781,100	-	**11,781,100**
Non-operating activities:			
Change in value of split interest trusts	(94,342)	-	**(94,342)**
Investment earnings	(2,700,112)	403,488	**(2,296,624)**
Increase (decrease) from non-operating activities	(2,794,454)	403,488	**(2,390,966)**
Changes in net assets	(1,795,827)	240,640	**(1,555,187)**
Net assets, beginning	12,286,993	3,372,738	**15,659,731**
Net assets, ending	$ 10,491,166	$ 3,613,378	**$ 14,104,544**

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

PROLITERACY WORLDWIDE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program and Program Services			Support Services			
	Program and Professional Services	**Publishing**	**Total Programs**	**Management**	**Fundraising**	**Total Support**	**Total Expenses**
Salaries and related expenses:							
Salaries	$ 629,559	$ 1,555,787	$ 2,185,346	$ 1,097,069	$ 94,880	$ 1,191,949	**$ 3,377,295**
Employee benefits	68,533	150,253	218,786	106,274	8,148	114,422	**333,208**
Payroll taxes	44,587	105,531	150,118	63,870	6,711	70,581	**220,699**
Total salaries and related expenses	742,679	1,811,571	2,554,250	1,267,213	109,739	1,376,952	**3,931,202**
Other operating expenses:							
Grants and allocations	1,083,896	-	1,083,896	(51,419)	10,801	(40,618)	**1,043,278**
Consultants and professional fees	197,770	1,281,139	1,478,909	502,877	43,071	545,948	**2,024,857**
Supplies	34,917	112,573	147,490	121,229	11,355	132,584	**280,074**
Telephone and communications	13,431	10,067	23,498	26,815	1,985	28,800	**52,298**
Postage, delivery and shipping	15,836	498,331	514,167	2,063	4,855	6,918	**521,085**
Business operational expenses	20,624	167,184	187,808	148,751	8,859	157,610	**345,418**
Occupancy and related costs	33,352	93,887	127,239	52,797	15,008	67,805	**195,044**
Printing and publications	36,955	2,355,829	2,392,784	8,721	2,945	11,666	**2,404,450**
Travel, conferences, conventions	39,166	176,480	215,646	267,997	8	268,005	**483,651**
Depreciation and amortization	-	-	-	76,012	-	76,012	**76,012**
Total other operating expenses	1,475,947	4,695,490	6,171,437	1,155,843	98,887	1,254,730	**7,426,167**
Total program and support services expenses	2,218,626	6,507,061	8,725,687	2,423,056	208,626	2,631,682	**11,357,369**
Bad debt expense	-	3,710	3,710	-	-	-	**3,710**
Total operating expenses	$ 2,218,626	$ 6,510,771	$ 8,729,397	$ 2,423,056	$ 208,626	$ 2,631,682	**$ 11,361,079**

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

PROLITERACY WORLDWIDE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program and Program Services			Support Services			
	Program and Professional Services	**Publishing**	**Total Programs**	**Management**	**Fundraising**	**Total Support**	**Total Expenses**
Salaries and related expenses:							
Salaries	$ 588,020	$ 1,429,994	$ 2,018,014	$ 952,004	$ 235,563	$ 1,187,567	**$ 3,205,581**
Employee benefits	50,362	134,718	185,080	114,950	30,380	145,330	**330,410**
Payroll taxes	40,204	102,991	143,195	109,778	17,114	126,892	**270,087**
Total salaries and related expenses	678,586	1,667,703	2,346,289	1,176,732	283,057	1,459,789	**3,806,078**
Other operating expenses:							
Grants and allocations	753,073	-	753,073	(21,492)	327,407	305,915	**1,058,988**
Consultants and professional fees	147,101	1,272,632	1,419,733	534,210	35,415	569,625	**1,989,358**
Supplies	27,268	252,155	279,423	132,259	23,156	155,415	**434,838**
Telephone and communications	12,330	13,390	25,720	35,132	14,003	49,135	**74,855**
Postage, delivery and shipping	12,366	495,907	508,273	1,557	7,560	9,117	**517,390**
Occupancy and related costs	72,696	361,443	434,139	244,344	5,397	249,741	**683,880**
Printing and publications	78,769	2,867,471	2,946,240	3,101	7,600	10,701	**2,956,941**
Travel, conferences, conventions	20,307	77,347	97,654	46,998	2,310	49,308	**146,962**
Depreciation	-	-	-	98,625	-	98,625	**98,625**
Total other operating expenses	1,123,910	5,340,345	6,464,255	1,074,734	422,848	1,497,582	**7,961,837**
Total program and support services expenses	1,802,496	7,008,048	8,810,544	2,251,466	705,905	2,957,371	**11,767,915**
Bad debt expense	-	13,185	13,185	-	-	-	**13,185**
Total operating expenses	$ 1,802,496	$ 7,021,233	$ 8,823,729	$ 2,251,466	$ 705,905	$ 2,957,371	**$ 11,781,100**

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

PROLITERACY WORLDWIDE, INC.
Statements of Cash Flows

	Years ended June 30,	
	2023	2022
Cash flow from operating activities:		
Change in net assets	**$ (268,701)**	$ (1,555,187)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**76,012**	98,625
Loss on disposal of leasehold improvements and equipment	**31,553**	
Bad debt expense	**3,710**	13,185
Net realized and unrealized (gain) losses on investments	**(608,343)**	3,091,728
Forgiveness of Paycheck Protection Program loan	**-**	(546,840)
Change in value of split-interest agreements	**58,250**	94,342
Changes in operating assets and liabilities:		
Accounts receivable	**442,215**	289,283
Prepaid expenses and other assets	**26,802**	(9,436)
Inventory of publications held for sale	**34,049**	(207,655)
Accounts payable and accrued expenses	**240,011**	79,340
Deferred income	**(416,181)**	279,937
Royalties payable	**9,584**	2,474
Operating lease right-of-use asset	**(506,015)**	-
Operating lease liability	**575,948**	-
Net cash (used in) provided by operating activities	**(301,106)**	1,629,796
Cash flow from investing activities:		
Reinvested investment gains and income	**397,219**	364,136
Purchase of property and equipment	**(397,651)**	(53,133)
Payments of trust obligations	**(966)**	(101,745)
Proceeds from sale of investments	**232,377**	845,605
Purchase of investments	**(1,039,526)**	(1,850,626)
Contributions restricted for investment	**(213,486)**	(25,100)
Net cash used in investing activities	**(1,022,033)**	(820,863)
Cash flow from financing activities:		
Proceeds from line of credit, net	**374,611**	-
Net cash provided by financing activities	**374,611**	-
Net increase (decrease) in cash and cash equivalents	**(948,528)**	808,933
Cash and cash equivalents, beginning of year	**1,192,568**	383,635
Cash and cash equivalents, end of year	**$ 244,040**	$ 1,192,568
Supplemental disclosure of non-cash investing and financing activities:		
Disposal of fully depreciated equipment	**$ 318,288**	$ -
Initial recognition of operating right of use assets and lease liabilities	**$ 577,926**	$ -

The accompanying notes are an integral part of the 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 $3,665,665 and $3,613,378 at June 30, 2023 and 2022, 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.

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.

	2023	2022
Cash and cash equivalents	$ 244,040	$ 1,192,568
Accounts receivable - publishing, net	997,319	1,443,244
Inventory of publications held for sale, net	1,126,312	1,160,361
Other assets	-	21,600
Investments	14,402,866	13,284,988
Total financial assets	16,770,537	17,102,761
Net assets with donor restrictions	(1,870,249)	(1,892,361)
Quasi endowment established by the board	(1,795,416)	(1,721,017)
Financial assets available to meet general expenditures over the next twelve months	$ 13,104,872	$ 13,489,383

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 Financial Accounting Board ("FASB") issued Accounting Standards Update ("ASU") 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.

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, 2023 and 2022, 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.

New Accounting Pronouncement - Leases

For the year ended June 30, 2023, the Organization adopted the FASB's Accounting Standard's Update (ASU) No. 2016-02, Leases (Topic 842). In February, 2016, the FASB issued this standard relating to leases to increase transparency and comparability among organizations by requiring the recognition of assets and liabilities on the statements of financial position for the rights and obligations created by long-term leases. This ASU also requires additional qualitative and quantitative disclosures about leasing arrangements, and provides clarification surrounding the presentation of the effects of leases in the Statements of Activities and Cash Flows. Most prominent among the changes in the standard is the recognition of the right-of-use (ROU) assets and liabilities by a lessee for those leases classified as operating leases under current U.S. GAAP.

In addition, the Organization adopted FASB ASU 2018-11, Leases Targeted Improvements, which provides an additional transition method that allows entities to apply the new lease standard at adoption date. The Organization elected and applied the following transition practical expedients when initially adopting the standard:

- To apply the provisions of the lease standard at adoption date, instead of applying them to the earliest comparative period presented in the financial statements.
- The package of practical expedients permitting the Organization to not reassess the (i) the lease classification of existing leases, (ii) whether existing and expired contracts are or contain leases, and (iii) initial direct costs for expired leases.

The Organization adopted this new transition method when it adopted Topic 842 on July 1, 2022. Accordingly, all periods prior to July 1, 2022 were presented in accordance with the previous ASC Topic 840, Leases, and no retrospective adjustments were made to the comparative periods presented. Upon adoption on July 1, 2022, total assets and liabilities increased due to the recording of operating right- of-use assets and lease liabilities in the amount of $577,926.

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement – Leases (continued)

The Organization presents its lease assets and lease liabilities for operating leases separately on its Statements of Financial Position. All contracts that implicitly involve property and equipment are evaluated to determine whether they are or contain a lease. The Organization did not have any finance leases at June 30, 2023. See Note 9 for further details.

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 Not-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 2023 and 2022, 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 2023 and 2022, approximately $564,000 and $415,000 was appropriated for expenditure, respectively. The amount appropriated for expenditure during 2023 and 2022 was used for research, publications, and budgeting.

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.

1. **Summary of Significant Accounting Policies** (continued)

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 at June 30, 2023 and 2022, respectively. The Organization recognized $3,710 and $13,185 of bad debt expense during 2023 and 2022, respectively. Bad debt expenses are the result of uncollectible receivables related to publication 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, 2023 and 2022, no provision for Unrelated business income tax (“UBIT”) has been included in the Statements of Activities.

The Organization evaluates all uncertain tax positions as required by accounting principles generally accepted in the United States of America, including the maintenance of its tax-exempt status. As of June 30, 2023, the Organization does not believe that it has uncertain tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. It is the Organization’s policy to recognize any interest and penalties as expenses. The Organization’s tax 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 ASC 606, Revenue from Contracts with Customers, which 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 exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues.

Contributions, including certain legacies and bequests, 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.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition and Contributions (continued)

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. The Organization received a pledge receivable for $3,300 as of June 30, 2023. There were no pledge receivable as of June 30, 2022. The Organization had no grants receivable as of June 30, 2023 and 2022.

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, 2023 and 2022.

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

Bequests are recorded as income when the respective instrument is probated and substantial notification of the bequest in received. The table below presents the beginning and ending balances for accounts receivable – publishing and deferred revenue:

	2023	2022
Accounts receivable - publishing:		
Beginning balance	$ 1,443,244	$ 1,745,712
Ending balance	$ 997,319	$ 1,443,244
Deferred revenue:		
Beginning balance	$ 756,108	$ 476,171
Ending balance	$ 339,927	$ 756,108

Contributions of Nonfinancial Assets

The Organization adopted FASB ASU 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets for the year ended June 30, 2023. This standard increases the transparency of contributed nonfinancial assets through enhanced presentation and disclosure and requires nonfinancial assets to be presented as separate line items in the statement of activities. In addition, the standard requires additional disclosures to include description, valuation techniques, and disaggregation of amounts by contributed category. The Organization did not have any contributions of nonfinancial assets during the years ended June 30, 2023 and 2022.

1. Summary of Significant Accounting Policies (continued)

Shipping and Handling Costs

Shipping and handling costs are included in the 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. These costs included as a component of Program Services – Publishing amounted to $498,331 and $495,907 for the years ended June 30, 2023 and 2022, respectively.

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, 2023 or 2022 were approximately $47,000 and $49,000, respectively, which is included in employee benefits on the Statements of Functional Expenses.

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.

Methods Used for Allocation of Expenses between Program and Supporting Services

The Statements of Functional Expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. 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, 2023 and 2022 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.

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.

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 Financial Position. 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, 2023:

Description	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Mutual funds				
Fixed income	$ 4,908,051	$ 4,908,051	$ -	$ -
Domestic equity	4,537,297	4,537,297	-	-
International equity	2,641,002	2,641,002	-	-
Developing markets	966,578	966,578	-	-
Infrastructure	280,827	280,827	-	-
Natural resources	476,833	476,833	-	-
Real estate	293,501	293,501	-	-
Total mutual funds	14,104,089	14,104,089	-	-
Cash and cash equivalents	298,777	298,777	-	-
	$ 14,402,866	$ 14,402,866	$ -	$ -

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, 2022:

Description	at Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Fixed income	$ 4,058,664	$ 4,058,664	$ -	$ -
Domestic equity	4,043,007	4,043,007	-	-
International equity	2,311,216	2,311,216	-	-
Developing markets	897,570	897,570	-	-
Infrastructure	264,018	264,018	-	-
Natural resources	422,287	422,287	-	-
Real estate	261,949	261,949	-	-
Total mutual funds	12,258,711	12,258,711	-	-
Common stock - large cap	560,353	560,353		
Cash and cash equivalents	465,924	465,924	-	-
	$ 13,284,988	$ 13,284,988	$ -	$ -

3. Investments

Investments are classified in the following categories at June 30:

		2023	2022
Unrestricted funds	(a)	$ 3,632,923	$ 3,122,325
Board designated	(a)	7,104,278	6,549,285
Annuities life	(b)	318,518	309,786
Life income funds	(c)	75,122	65,963
Revocable and Irrevocable trusts	(d)	1,476,609	1,516,612
Quasi-endowment funds	(e)	1,795,416	1,721,017
		$ 14,402,866	$ 13,284,988

(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 Directors. They represent the portion of expendable funds that is available to support the Organization's operating activities.

3. Investments (continued)

(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 $140,000 and $147,000 at June 30, 2023 and 2022, 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 Directors 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 primarily from an internal designation and donor designation, is donor restricted and is classified as net assets with donor restrictions.

4. Investment Return

The following schedule summarizes investment return and classification in the Statement of Activities for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	$ 293,358	$ 103,861	$ 397,219
Realized gain	134,477	97,900	232,377
Total realized & interest	427,835	201,761	629,596
Unrealized gain	541,409	66,934	608,343
Total gain	$ 969,244	$ 268,695	1,237,939
Less - Board approved investment spending			(564,396)
Investment earnings - net gain			$ 673,543

The following schedule summarizes investment return and classification in the Statement of Activities for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	$ 262,615	$ 101,521	$ 364,136
Realized gain	505,318	340,287	845,605
Total realized & interest	767,933	441,808	1,209,741
Unrealized loss	(3,053,408)	(38,320)	(3,091,728)
Total gain (loss)	$ (2,285,475)	$ 403,488	(1,881,987)
Less - Board approved investment spending			(414,637)
Investment earnings - net loss			$ (2,296,624)

The change in value of split interest trusts for 2023 and 2022 was $58,250 and $94,342. 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:

	2023	2022
Furniture and office equipment	$ 846,823	$ 1,078,638
Leasehold Improvements	311,178	-
Less accumulated depreciation	(653,061)	(886,659)
Less accumulated amortization	(22,875)	-
	$ 482,065	$ 191,979

For the years ended June 30, 2023 and 2022, depreciation and amortization expense totaled approximately $76,000 and $98,000, respectively. Approximately $318,000 of fully depreciated equipment was disposed of during the 2023 fiscal year.

6. Line of Credit

For the fiscal years ended June 30, 2023 and 2022, the Organization had a $2,000,000 line of credit, collateralized by accounts receivable, inventory, and equipment, available with interest at the Wall Street Journal prime rate. At June 30, 2023, the Company had borrowings of $374,611 against this line of credit. At June 30, 2022, the Company had no borrowings against this line of credit. The interest rate at June 30, 2023 and 2022 was 8.25% and 4.75%, respectively.

7. 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, 2023 and 2022, various discount rates and life expectancy tables.

Split interest agreements consisted of the following at June 30, 2023:

	Investments at Fair Market Value	Reserve	Net
Life income funds	$ 75,122	$ 6,706	$ 68,416
Irrevocable trusts	1,476,609	1,119,104	357,505
Annuities	318,518	139,559	178,959
	$ 1,870,249	$ 1,265,369	$ 604,880

Split interest agreements consisted of the following at June 30, 2022:

	Investments at Fair Market Value	Reserve	Net
Life income funds	$ 65,963	$ 6,706	$ 59,257
Irrevocable trusts	1,516,612	1,168,829	347,783
Annuities	309,786	146,431	163,355
	$ 1,892,361	$ 1,321,966	$ 570,395

8. Net Assets with Donor Restrictions

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

	2023	2022
Annuities	$ 318,518	$ 309,786
Life income funds	75,122	65,963
Irrevocable trusts	1,476,609	1,516,612
Quasi-endowments	1,795,416	1,721,017
Total net assets with donor restrictions	$ 3,665,665	$ 3,613,378

8. Net Assets with Donor Restrictions (continued)

Net assets were released from donor-imposed restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors. Net assets released from restriction during the June 30, 2023 and 2022 fiscal years were $512,841 and $162,848, respectively. Purpose restrictions accomplished primarily include the payment of annuity and trust obligations, as well as other transactions related to the satisfaction of donor restrictions.

9. Leases

The Organization leases office space and copiers vehicles under various agreements through 2028. For the year ending June 30, 2023, the Organization recognized rent expense of $170,000 recorded within occupancy and related costs on the Statement of Functional Expenses. Upon the adoption of ASU 2016-02, effective July 1, 2022, the Organization recognized separate right-of-use assets and operating lease liabilities based on the present value of future lease payments.

At lease commencement, the Organization recognizes a lease liability measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any lease credits or incentives. The Organization has elected and applied the practical expedients available to lessees, and remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or if there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

For accounting purposes, the Organization's leases commence on the earlier of (i) the date upon which the Organization obtains control for the underlying asset and (ii) the contractual effective date of the lease. Lease commencement for the Organization's leases typically coincides with the contractual effective date.

The Organization determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is not readily determinable, the Organization utilized the risk-free interest rate at lease adoption.

The weighted average lease term is approximately 64 months of payments and the weighted average discount rate used is 4.25%, between both leases.

The following provides financial information about the Organization's operating right-of-use assets and lease liabilities as of June 30, 2023:

Right-of-use assets	$ 506,015
Operating lease liability	
Current portion	11,999
Noncurrent portion	563,949
	$ 575,948

9. Leases (continued)

The future minimum lease payments of the Organization's operating lease liabilities as of June 30, 2023 are as follows:

2024	$ 36,843
2025	136,317
2026	142,805
2027	144,967
2028	148,518
Thereafter	49,017
	658,467
Less: adjustment for present value	(82,519)
Present value of operating lease liability	575,948
Less: current portion of operating lease liability	(11,999)
Non-current operating lease liability	$ 563,949

10. 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.

11. Subsequent Events

The Organization has evaluated subsequent events through October 2, 2023, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

PROLITERACY WORLDWIDE, INC.
Calculation of Indirect Cost Rate
For the Year Ended June 30, 2023 and 2022

2023

Program Services (a)		Fundraising (b)		Management (c)		Rate (c)/(a+b+c)
$	8,725,687	$	208,626	$	2,423,056	21.33%

(a) Program services	$	8,725,687
(b) Fundraising	$	208,626
(c) Management	$	2,423,056

2022

Program Services (a)		Fundraising (b)		Management (c)		Rate (c)/(a+b+c)
$	8,810,544	$	705,905	$	2,251,466	19.13%

(a) Program services	$	8,810,544
(b) Fundraising	$	705,905
(c) Management	$	2,251,466