PROLITERACY WORLDWIDE

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2026 and 2025

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

Opinion

We have audited the financial statements of ProLiteracy Worldwide, which comprise the statements of financial position as of June 30, 2026 and 2025, 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, 2026 and 2025, 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.

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 13, 2026

PROLITERACY WORLDWIDE
Statements of Financial Position

	June 30, 2026	June 30, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,036,463**	$ 1,291,173
Accounts receivable - publishing, net of allowance for credit losses of $10,000 in 2026 and 2025	**656,218**	901,148
Prepaid expenses	**275,280**	273,385
Inventory of publications held for sale, net	**1,308,910**	1,162,427
Other assets	**2,693**	7,016
Total current assets	**4,279,564**	3,635,149
Investments	**18,210,180**	16,443,150
Operating right-of-use-assets, net	**242,388**	334,521
Property, leasehold improvements and equipment, net	**281,231**	346,213
TOTAL ASSETS	**$ 23,013,363**	$ 20,759,033
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	**$ 1,551,479**	$ 1,455,856
Royalties payable	**110,206**	91,779
Deferred revenue	**1,850,408**	1,620,781
Line of credit	**-**	224,611
Operating lease liabilities, current portion	**133,687**	126,054
Total current liabilities	**3,645,780**	3,519,081
Reserve for split-interest trusts	**1,404,287**	1,307,351
Operating lease liabilities, net of current portion	**191,743**	325,430
TOTAL LIABILITIES	**5,241,810**	5,151,862
NET ASSETS:		
Without donor restrictions	**13,465,059**	11,616,576
With donor restrictions	**4,306,494**	3,990,595
TOTAL NET ASSETS	**17,771,553**	15,607,171
TOTAL LIABILITIES AND NET ASSETS	**$ 23,013,363**	$ 20,759,033

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

PROLITERACY WORLDWIDE
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Support:			
Grants - foundation and corporate	$ 1,888,083	$ 487,670	**$ 2,375,753**
Contributions	454,707	-	**454,707**
Legacies and bequests	314,340	24,525	**338,865**
Program services revenue:			
Publications	8,303,801	-	**8,303,801**
Membership dues	106,430	-	**106,430**
Training and accreditation	375	-	**375**
Board approved investment spending	584,802	-	**584,802**
Other income	23,141	-	**23,141**
	11,675,679	512,195	**12,187,874**
Net assets released from restrictions	512,195	(512,195)	**-**
Total operating revenues	12,187,874	-	**12,187,874**
EXPENSES AND LOSSES:			
Operating expenses:			
Program services	9,646,583	-	**9,646,583**
Management	1,833,325	-	**1,833,325**
Fundraising	309,560	-	**309,560**
Total program and support services expenses	11,789,468	-	**11,789,468**
Credit loss expense	25,935	-	**25,935**
Total operating expenses	11,815,403	-	**11,815,403**
Non-operating activities:			
Change in value of split interest trusts	(228,678)	-	**(228,678)**
Investment earnings	1,704,690	315,899	**2,020,589**
Increase from non-operating activities	1,476,012	315,899	**1,791,911**
Changes in net assets	1,848,483	315,899	**2,164,382**
Net assets, beginning	11,616,576	3,990,595	**15,607,171**
Net assets, ending	$ 13,465,059	$ 4,306,494	**$ 17,771,553**

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

PROLITERACY WORLDWIDE
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Support:			
Grants - foundation and corporate	$ 1,793,622	$ 343,433	$ 2,137,055
Contributions	485,569	-	485,569
Legacies and bequests	398,184	-	398,184
Program services revenue:			
Publications	7,081,288	-	7,081,288
Membership dues	130,030	-	130,030
Conference income	285,864	-	285,864
Training and accreditation	6,250	-	6,250
Board approved investment spending	587,035	-	587,035
Employee retention credit	299,613	-	299,613
Other income	25,750	-	25,750
	11,093,205	343,433	11,436,638
Net assets released from restrictions	343,433	(343,433)	-
Total operating revenues	11,436,638	-	11,436,638
EXPENSES AND LOSSES:			
Operating expenses:			
Program services	10,049,308	-	10,049,308
Management	2,168,009	-	2,168,009
Fundraising	480,410	-	480,410
Total program and support services expenses	12,697,727	-	12,697,727
Credit loss expense	18,356	-	18,356
Total operating expenses	12,716,083	-	12,716,083
Non-operating activities:			
Change in value of split interest trusts	(193,515)	-	(193,515)
Investment earnings	1,085,502	205,309	1,290,811
Increase from non-operating activities	891,987	205,309	1,097,296
Changes in net assets	(387,458)	205,309	(182,149)
Net assets, beginning	12,004,034	3,785,286	15,789,320
Net assets, ending	$ 11,616,576	$ 3,990,595	$ 15,607,171

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

PROLITERACY WORLDWIDE
Statement of Functional Expenses
For the Year Ended June 30, 2026

	Program Services			Support Services			
	Program and Professional Services	Publishing	Total Programs	Management	Fundraising	Total Support	Total Expenses
Salaries and related expenses:							
Salaries	$ 588,177	$ 1,892,986	$ 2,481,163	$ 1,008,028	$ 176,647	$ 1,184,675	**$ 3,665,838**
Employee benefits	79,094	145,326	224,420	125,449	29,273	154,722	**379,142**
Payroll taxes	40,180	129,904	170,084	68,913	12,884	81,797	**251,881**
Total salaries and related expenses	707,451	2,168,216	2,875,667	1,202,390	218,804	1,421,194	**4,296,861**
Other operating expenses:							
Grants and allocations	1,343,051	-	1,343,051	(29,179)	10,000	(19,179)	**1,323,872**
Consultants and professional fees	123,325	1,457,622	1,580,947	197,110	24,086	221,196	**1,802,143**
Supplies	90,651	147,046	237,697	121,140	20,196	141,336	**379,033**
Telephone and communications	24,991	7,153	32,144	3,855	424	4,279	**36,423**
Postage, delivery and shipping	5,705	495,775	501,480	2,413	10,210	12,623	**514,103**
Business operational expenses	14,460	324,661	339,121	174,973	10,943	185,916	**525,037**
Occupancy and related costs	21,467	58,677	80,144	29,170	5,725	34,895	**115,039**
Printing and publications	5,083	2,485,291	2,490,374	375	665	1,040	**2,491,414**
Travel, conferences, conventions	18,182	147,776	165,958	55,168	8,507	63,675	**229,633**
Depreciation and amortization	-	-	-	75,910	-	75,910	**75,910**
Total other operating expenses	1,646,915	5,124,001	6,770,916	630,935	90,756	721,691	**7,492,607**
Total program and support services expenses	2,354,366	7,292,217	9,646,583	1,833,325	309,560	2,142,885	**11,789,468**
Credit loss expense	219	25,716	25,935	-	-	-	**25,935**
Total operating expenses	$ 2,354,585	$ 7,317,933	$ 9,672,518	$ 1,833,325	$ 309,560	$ 2,142,885	**$ 11,815,403**

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

PROLITERACY WORLDWIDE
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services			Support Services			
	Program and Professional Services	Publishing	Total Programs	Management	Fundraising	Total Support	Total Expenses
Salaries and related expenses:							
Salaries	$ 800,217	$ 1,760,856	$ 2,561,073	$ 1,144,442	$ 364,569	$ 1,509,011	$ 4,070,084
Employee benefits	94,768	169,092	263,860	152,701	37,281	189,982	453,842
Payroll taxes	51,826	124,369	176,195	68,643	25,434	94,077	270,272
Total salaries and related expenses	946,811	2,054,317	3,001,128	1,365,786	427,284	1,793,070	4,794,198
Other operating expenses:							
Grants and allocations	1,190,902	-	1,190,902	(25,614)	-	(25,614)	1,165,288
Consultants and professional fees	267,942	1,226,958	1,494,900	297,591	9,827	307,418	1,802,318
Supplies	82,401	170,771	253,172	148,966	8,161	157,127	410,299
Telephone and communications	19,575	11,807	31,382	23,814	1,728	25,542	56,924
Postage, delivery and shipping	10,717	405,606	416,323	6,041	356	6,397	422,720
Business operational expenses	33,393	187,385	220,778	139,033	6,956	145,989	366,767
Occupancy and related costs	24,457	51,273	75,730	35,193	4,452	39,645	115,375
Printing and publications	19,563	2,853,330	2,872,893	5,386	-	5,386	2,878,279
Travel, conferences, conventions	290,229	201,871	492,100	90,087	21,646	111,733	603,833
Depreciation and amortization	-	-	-	81,726	-	81,726	81,726
Total other operating expenses	1,939,179	5,109,001	7,048,180	802,223	53,126	855,349	7,903,529
Total program and support services expenses	2,885,990	7,163,318	10,049,308	2,168,009	480,410	2,648,419	12,697,727
Credit loss expense	63	18,293	18,356	-	-	-	18,356
Total operating expenses	$ 2,886,053	$ 7,181,611	$ 10,067,664	$ 2,168,009	$ 480,410	$ 2,648,419	$ 12,716,083

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

PROLITERACY WORLDWIDE
Statements of Cash Flows

	Years ended June 30,	
	2026	2025
Cash flow from operating activities:		
Change in net assets	**$ 2,164,382**	$ (182,149)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**75,910**	81,726
Credit loss expense	**25,935**	18,356
Net unrealized gain on investments	**(643,460)**	(813,533)
Net realized gain on investments	**(1,506,287)**	(625,716)
Change in value of split-interest trusts	**228,678**	193,515
Changes in operating assets and liabilities:		
Accounts receivable	**218,995**	(59,677)
Prepaid expenses and other assets	**2,428**	49,158
Inventory of publications held for sale	**(146,483)**	59,741
Accounts payable and accrued expenses	**95,623**	(188,580)
Deferred revenue	**229,627**	1,317,927
Royalties payable	**18,427**	(22,197)
Operating lease right-of-use asset	**92,133**	87,178
Operating lease liabilities	**(126,054)**	(114,444)
Net cash provided by (used in) operating activities	**729,854**	(198,695)
Cash flow from investing activities:		
Purchase of property and equipment	**(10,928)**	(18,351)
Proceeds from trust obligations	**66,412**	-
Payments of trust obligations	**(174,270)**	(143,955)
Proceeds from sale of investments	**1,720,700**	3,062,890
Purchase of investments	**(1,361,867)**	(2,396,818)
Net cash provided by investing activities	**240,047**	503,766
Cash flow from financing activities:		
Payments on line of credit	**(224,611)**	-
Net cash used in financing activities	**(224,611)**	-
Net increase in cash and cash equivalents	**745,290**	305,071
Cash and cash equivalents, beginning of year	**1,291,173**	986,102
Cash and cash equivalents, end of year	**$ 2,036,463**	$ 1,291,173
Supplemental disclosure of non-cash investing and financing activities:		
Disposal of fully depreciated equipment	**$ -**	$ 66,320

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 Statements 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 $4,306,494 and $3,990,595 at June 30, 2026 and 2025, respectively. Net assets with donor restrictions include funds functioning as an endowment in addition to funds restricted for purpose or time designations. See Note 8 for additional information.

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. The Organization also has access to a $2,000,000 line of credit.

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.

	2026	2025
Cash and cash equivalents	$ 2,036,463	$ 1,291,173
Accounts receivable - publishing, net	656,218	901,148
Inventory of publications held for sale, net	1,308,910	1,162,427
Other assets	2,693	7,016
Investments	18,210,180	16,443,150
Total financial assets	22,214,464	19,804,914
Net assets with donor restrictions	(4,306,494)	(3,990,595)
Financial assets available to meet general expenditures over the next twelve months	$ 17,907,970	$ 15,814,319

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.

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 Standards 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 non-operating revenues in the Statements of Activities. Unrealized gains and losses have been classified in non-operating activities in the Statements 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, 2026 and 2025, 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 furniture and office equipment. Certain leasehold improvements, when applicable, are amortized 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.

Leases

The Organization adheres to the FASB's ASU Topic 842, *Leases*, which requires lessees to recognize a lease asset and corresponding lease liability for most leases on the Statements of Financial Position to increase transparency and comparability among organizations.

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 does not have any finance leases at June 30, 2026 and 2025. See Note 9 for further details on the Organization's operating leases.

Endowments

The Organization's endowments consist of 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.

1. Summary of Significant Accounting Policies (continued)

Endowments (continued)

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 2026 and 2025, the Organization has set the annual spending rate maximum limit at 5% for board approved investment spending. During 2026 and 2025, approximately $585,000 and $587,000 was appropriated for expenditure, respectively and is shown in the statements of activities. The amount appropriated for expenditure during 2026 and 2025 was used for research, publications, and budgeting.

Split Interest Agreements

The Organization is the beneficiary of trusts, annuities and pooled income funds included in its investments. 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.

Credit Losses

The Organization follows FASB ASU 2016-13, *Financial Instruments – Credit Losses*, for the years ended June 30, 2026 and 2025, which requires the immediate recognition of estimated expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, as well as reasonable and supportable forecasts. The Organization's receivables relate to publication sales and are reported at the estimated net realizable value. Credit loss expenses are the result of uncollectible receivables related to publication sales based on an agreement of credit worthiness and historical credit loss.

The allowance for credit losses for the years ended June 30 is presented below:

	2026	2025
Beginning balance	$ 10,000	$ 10,000
Credit loss	(25,935)	(18,356)
Provisions	25,935	18,356
Ending balance	$ 10,000	$ 10,000

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from federal income 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, 2026 and 2025, no provision for 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, 2026, 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 non-operating 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

The Organization follows ASC 606, *Revenue from Contracts with Customers*, except for grants and contributions which follow Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*. ASC 606 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.

The Organization's significant sources of revenue are detailed below.

Grants and 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 (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 Statements 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 contributions receivable represent amounts committed by donors that have not been received by the Organization. The Organization had no grants and contributions receivable as of June 30, 2026 and 2025.

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

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.

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.

The table below presents the beginning and ending balances for accounts receivable – publishing and deferred revenue:

	2026	2025
Accounts receivable, net:		
Beginning balance	$ 901,148	$ 859,827
Ending balance	656,218	$ 901,148
Deferred revenue:		
Beginning balance	$ 1,620,781	$ 302,854
Ending balance	1,850,408	$ 1,620,781

Contributions of Nonfinancial Assets

The Organization adheres to FASB ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard increases the transparency of contributed nonfinancial assets through enhanced presentation and disclosure. The Organization did not have any contributions of nonfinancial assets during the years ended June 30, 2026 and 2025.

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 amounted to $495,775 and $405,606 for the years ended June 30, 2026 and 2025, 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 year ended 2025 were approximately $61,000, which is included in employee benefits on the Statements of Functional Expenses. There were no employer retirement contributions for the year ended 2026.

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.

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 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, 2026 and 2025 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.

1. Summary of Significant Accounting Policies (continued)

Employee Retention Credit

The Organization prepared and filed Federal form 941-X claiming the Employee Retention Credit (ERC) for the second quarter of 2020 and the first quarter of 2021. The ERC was originally enacted with the CARES Act of 2020 and is a fully refundable credit for qualified wages and certain insurance benefits paid after March 13, 2020, until December 21, 2021. The Organization worked in good faith to assess their basis for eligibility, prepared their computation and assemble supporting documentation. ERC refund claims may be subject to IRS examinations for an extended statute of limitations. As of the date of these financial statements, management is not aware of any such examination. The Organization was awarded ERC funding of $207,094 in August 2023 and $299,613 in April 2025. This revenue was recorded in 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 this generally provides the most reliable evidence of fair value. No Level 2 or Level 3 inputs were utilized.

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

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, 2026:

Description	Assets Measured at Fair Value	Fair Value Hierarchy Level Level 1	Level 2	Level 3
Mutual funds				
Domestic equity	$ 6,961,187	$ 6,961,187	$ -	$ -
International equity	2,822,089	2,822,089	-	-
Developing markets	1,179,787	1,179,787	-	-
Infrastructure	355,019	355,019	-	-
Natural resources	359,251	359,251	-	-
Real estate	353,555	353,555	-	-
Miscellaneous	13	13	-	-
Total mutual funds	12,030,901	12,030,901	-	-
Corporate bonds	5,822,199	5,822,199	-	-
Cash and cash equivalents	357,080	357,080	-	-
	$ 18,210,180	$ 18,210,180	$ -	$ -

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2025:

Description	Assets Measured at Fair Value	Fair Value Hierarchy Level Level 1	Level 2	Level 3
Mutual funds				
Domestic equity	$ 6,258,830	$ 6,258,830	$ -	$ -
International equity	2,716,821	2,716,821	-	-
Developing markets	1,026,705	1,026,705	-	-
Infrastructure	282,483	282,483	-	-
Natural resources	310,571	310,571	-	-
Real estate	413,555	413,555	-	-
Miscellaneous	13	13	-	-
Total mutual funds	11,008,978	11,008,978	-	-
Corporate bonds	5,077,068	5,077,068	-	-
Cash and cash equivalents	357,104	357,104	-	-
	$ 16,443,150	$ 16,443,150	$ -	$ -

3. Investments

Investments are classified in the following categories at June 30:

		2026	2025
Unrestricted funds	(a)	$ 5,248,741	$ 4,531,077
Board designated	(a)	8,654,945	7,921,478
Annuities life	(b)	311,774	349,357
Life income funds	(c)	76,090	65,549
Irrevocable trusts	(d)	1,700,454	1,561,810
Quasi-endowment funds	(e)	2,218,176	2,013,879
		$ 18,210,180	$ 16,443,150

(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.

(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. 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) 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.

3. Investments (continued)

(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, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	$ 346,186	$ 109,458	$ 455,644
Realized gain	1,281,683	224,604	1,506,287
Total realized & interest	1,627,869	334,062	1,961,931
Unrealized gain (loss)	661,623	(18,163)	643,460
Total gain	$ 2,289,492	$ 315,899	2,605,391
Less - board approved investment spending			(584,802)
Investment earnings - net gain			$ 2,020,589

The following schedule summarizes investment return and classification in the Statement of Activities for the year ended June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	$ 331,408	$ 107,189	$ 438,597
Realized gain	408,120	217,596	625,716
Total realized & interest	739,528	324,785	1,064,313
Unrealized gain	933,009	(119,476)	813,533
Total gain	$ 1,672,537	$ 205,309	1,877,846
Less - board approved investment spending			(587,035)
Investment earnings - net gain			$ 1,290,811

The change in value of split interest trusts for 2026 and 2025 was $228,678 and $193,515. 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:

	2026	2025
Furniture and office equipment	$ 825,528	$ 816,583
Leasehold improvements	311,178	311,178
Less accumulated depreciation	(739,246)	(696,437)
Less accumulated amortization	(116,229)	(85,111)
	$ 281,231	$ 346,213

For the years ended June 30, 2026 and 2025, depreciation and amortization expense totaled approximately $76,000 and $82,000, respectively. There were no disposals for the year end June 30, 2026. Approximately $66,000 of fully depreciated equipment was disposed of during the 2025 fiscal year.

6. Line of Credit

For the fiscal years ended June 30, 2026 and 2025, 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, 2025, the Organization had borrowings of $224,611 against this line of credit. At June 30, 2026, there was no balance on the line of credit. The interest rate at June 30, 2026 and 2025 was 6.75% and 7.50% per annum, 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 rate of return, various discount rates and life expectancy tables.

Split interest agreements consist of the following at June 30, 2026:

	Investments at Fair Market Value	Reserve	Net
Life income funds	$ 76,090	$ 6,706	$ 69,384
Irrevocable trusts	1,700,454	1,303,307	397,147
Annuities	311,774	94,274	217,500
	$ 2,088,318	$ 1,404,287	$ 684,031

Split interest agreements consist of the following at June 30, 2025:

	Investments at Fair Market Value	Reserve	Net
Life income funds	$ 65,549	$ 6,706	$ 58,843
Irrevocable trusts	1,561,810	1,173,761	388,049
Annuities	349,357	126,884	222,473
	$ 1,976,716	$ 1,307,351	$ 669,365

8. Net Assets with Donor Restrictions

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

	2026	2025
Annuities	$ 311,774	$ 349,357
Life income funds	76,090	65,549
Irrevocable trusts	1,700,454	1,561,810
Quasi-endowments	2,218,176	2,013,879
Total net assets with donor restrictions	$ 4,306,494	$ 3,990,595

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, 2026 and 2025 fiscal years were $512,195 and $343,433, 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, copiers, and vehicles under various agreements through 2028. In accordance with Topic 842, the Organization recognized separate operating lease right-of-use assets and 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 is not readily determinable, the Organization utilized the risk-free interest rate at lease adoption of its leases.

The weighted average lease term is approximately 64 months and the weighted average discount rate is 4.25% per annum, at June 30, 2026.

9. Leases (continued)

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

	2026	2025
Right-of-use assets	$ 242,388	$ 334,521
Operating lease liabilities		
Current portion	133,687	126,054
Noncurrent portion	191,743	325,430
	$ 325,430	$ 451,484

The future minimum lease payments of the Organization's operating lease liabilities as of June 30, 2026 are as follows:

2027	$ 144,967
2028	148,518
Thereafter	49,017
	342,502
Less: adjustment for present value	(17,072)
Present value of operating lease liabilities	325,430
Less: current portion of operating lease liabilities	(133,687)
Non-current operating lease liabilities	$ 191,743

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 13, 2026, 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.

SUPPLEMENTARY INFORMATION

PROLITERACY WORLDWIDE
Calculation of Indirect Cost Rate
For the Years Ended June 30, 2026 and 2025

2026

Program Services (a)	Fundraising (b)	Management (c)	Rate (c)/(a+b+c)
$ 9,646,583	$ 309,560	$ 1,833,325	15.55%

(a) Program services	$ 9,646,583
(b) Fundraising	$ 309,560
(c) Management	$ 1,833,325

2025

Program Services (a)	Fundraising (b)	Management (c)	Rate (c)/(a+b+c)
$ 10,049,308	$ 480,410	$ 2,168,009	17.07%

(a) Program services	$ 10,049,308
(b) Fundraising	$ 480,410
(c) Management	$ 2,168,009