EisnerAmper

CHILDREN'S LITERACY INITIATIVE

FINANCIAL STATEMENTS

JUNE 30, 2024 and 2023

CHILDREN'S LITERACY INITIATIVE

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Literacy Initiative

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Children's Literacy Initiative (the "Organization"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of 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 Children's Literacy Initiative, as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Organization'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 the Organization'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
January 30, 2025

CHILDREN'S LITERACY INITIATIVE

Statements of Financial Position

	June 30, 2024	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 205,130**	$ 2,084,443
Restricted cash	**800,000**	800,000
Investments	**211,293**	1,380,997
Accounts receivable	**830,917**	1,105,727
Contributions receivable:		
Governmental grants	**28,096**	90,296
Philanthropic grants	**170,097**	147,445
Employee retention tax credit ("ERTC") receivable	**2,316,301**	3,657,937
Inventory, net	**122,252**	157,269
Prepaid expenses and other assets	**156,353**	242,193
Total current assets	**4,840,439**	9,666,307
Property and equipment, net	**78,090**	126,825
Right-of-use assets - finance leases	**80,758**	110,124
Right-of-use assets - operating leases	**1,478,081**	1,799,879
	$ 6,477,368	$ 11,703,135
LIABILITIES		
Current liabilities:		
Advances on line-of-credit	**$ 350,000**	$ -
Accounts payable and accrued expenses	**906,011**	1,392,414
Deferred revenue	**-**	68,163
Current portion of finance lease obligations	**29,494**	27,521
Current portion of operating lease obligations	**283,986**	316,518
Total current liabilities	**1,569,491**	1,804,616
Finance lease obligations, net of current portion	**56,795**	86,289
Operating lease obligations, net of current portion	**1,331,497**	1,615,483
Total liabilities	**2,957,783**	3,506,388
NET ASSETS		
Without donor restrictions	**3,144,371**	7,869,924
With donor restrictions	**375,214**	326,823
Total net assets	**3,519,585**	8,196,747
	$ 6,477,368	$ 11,703,135

See notes to financial statements.

CHILDREN'S LITERACY INITIATIVE

Statements of Activities and Changes in Net Assets

	Year Ended June 30,					
	2024			2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenues:						
School district contracts	**$ 5,287,452**	**$ -**	**$ 5,287,452**	$ 4,735,836	$ -	$ 4,735,836
Governmental grants	**1,174,528**	**-**	**1,174,528**	1,613,334	-	1,613,334
Philanthropic grants and contributions	**1,976,661**	**375,214**	**2,351,875**	2,010,366	19,900	2,030,266
Investment income, net	**48,620**	**-**	**48,620**	202,668	-	202,668
Employee retention credit revenue	**-**	**-**	**-**	3,657,937	-	3,657,937
Other income	**5,913**	**-**	**5,913**	8,265	-	8,265
Net assets released from restrictions	**326,823**	**(326,823)**	**-**	796,017	(796,017)	-
	8,819,997	**48,391**	**8,868,388**	13,024,423	(776,117)	12,248,306
Expenses:						
Program - literacy development	**10,961,662**	**-**	**10,961,662**	11,187,189	-	11,187,189
General and administrative	**1,463,332**	**-**	**1,463,332**	1,581,318	-	1,581,318
Fundraising	**1,120,556**	**-**	**1,120,556**	995,970	-	995,970
	13,545,550	**-**	**13,545,550**	13,764,477	-	13,764,477
Change in net assets	**(4,725,553)**	**48,391**	**(4,677,162)**	(740,054)	(776,117)	(1,516,171)
Net assets at beginning of year	**7,869,924**	**326,823**	**8,196,747**	8,609,978	1,102,940	9,712,918
Net assets at end of year	**$ 3,144,371**	**$ 375,214**	**$ 3,519,585**	$ 7,869,924	$ 326,823	$ 8,196,747

See notes to financial statements.

CHILDREN'S LITERACY INITIATIVE

Statements of Functional Expenses

	Year Ended June 30,							
	2024				2023			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Literacy Development	General and Administrative	Fundraising	Total	Literacy Development	General and Administrative	Fundraising	Total
Payroll and payroll taxes	**$ 7,454,519**	**$ 1,028,655**	**$ 787,699**	**$ 9,270,873**	$ 7,693,766	$ 1,115,889	$ 702,827	$ 9,512,482
Employee benefits	**1,146,285**	**158,177**	**121,125**	**1,425,587**	809,882	117,464	73,983	1,001,329
	8,600,804	**1,186,832**	**908,824**	**10,696,460**	8,503,648	1,233,353	776,810	10,513,811
Advertising	**26,299**	**3,629**	**2,779**	**32,707**	11,520	1,671	1,052	14,243
Amortization	**23,613**	**3,258**	**2,495**	**29,366**	-	-	-	-
Books	**194,879**	**-**	**-**	**194,879**	103,325	-	-	103,325
Insurance	**125,638**	**17,337**	**13,276**	**156,251**	58,744	8,520	5,366	72,630
Interest	**5,660**	**781**	**598**	**7,039**	-	-	-	-
Legal and accounting	**121,820**	**16,810**	**12,872**	**151,502**	423,268	61,390	38,666	523,324
Maintenance	**512,878**	**70,772**	**54,194**	**637,844**	517,277	75,025	47,253	639,555
Office	**154,774**	**21,357**	**16,355**	**192,486**	74,409	10,792	6,797	91,998
Professional fees	**306,178**	**42,250**	**32,353**	**380,781**	677,878	98,318	61,924	838,120
Program materials	**162,218**	**-**	**-**	**162,218**	181,088	-	-	181,088
Recruiting	**8,476**	**1,170**	**896**	**10,542**	9,501	1,378	868	11,747
Rent	**373,349**	**51,519**	**39,451**	**464,319**	412,558	59,837	37,687	510,082
Travel	**305,889**	**42,210**	**32,322**	**380,421**	174,556	25,317	15,947	215,820
	10,922,475	**1,457,925**	**1,116,415**	**13,496,815**	11,147,772	1,575,601	992,370	13,715,743
Depreciation	**39,187**	**5,407**	**4,141**	**48,735**	39,417	5,717	3,600	48,734
	$ 10,961,662	**$ 1,463,332**	**$ 1,120,556**	**$ 13,545,550**	$ 11,187,189	$ 1,581,318	$ 995,970	$ 13,764,477

CHILDREN'S LITERACY INITIATIVE

Statements of Cash Flows

	Year Ended June 30, 2024	Year Ended June 30, 2023
Cash flows from operating activities:		
Change in net assets	**$ (4,677,162)**	$ (1,516,171)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gains on investments	**(7,094)**	(100,501)
Depreciation	**48,735**	48,734
Amortization of right-of-use assets - finance lease	**29,366**	29,366
Amortization of right-of-use assets - operating lease	**321,798**	301,021
Changes in assets and liabilities:		
Accounts receivable	**274,810**	603,735
Contributions receivable - governmental grants	**62,200**	141,717
Contributions receivable - philanthropic grants	**(22,652)**	524,161
ERTC receivable	**1,341,636**	(3,657,937)
Inventory	**35,017**	10,581
Prepaid expenses	**85,840**	(136,181)
Accounts payable and accrued expenses	**(486,403)**	(1,065,865)
Deferred revenue	**(68,163)**	(389,775)
Operating lease obligation	**(316,518)**	(284,987)
Net cash used in operating activities	**(3,378,590)**	(5,492,102)
Cash flows from investing activities:		
Proceeds from sales of investments	**1,229,253**	142,545
Purchase of investments	**(52,455)**	(175,325)
Net cash provided by (used in) investing activities	**1,176,798**	(32,780)
Cash flows from financing activities:		
Payments on finance lease obligations	**(27,521)**	(25,680)
Proceeds from line-of-credit	**350,000**	-
Net cash provided by (used in) financing activities	**322,479**	(25,680)
Net decrease in cash and cash equivalents and restricted cash	**(1,879,313)**	(5,550,562)
Cash and cash equivalents and restricted cash at beginning of year	**2,884,443**	8,435,005
Cash and cash equivalents and restricted cash at end of year	**$ 1,005,130**	$ 2,884,443

See notes to financial statements.

NOTE A - NATURE OF OPERATIONS

Since 1988, Children's Literacy Initiative (the "Organization") has worked with pre-kindergarten through third grade teachers to transform instruction so that children can become powerful readers, writers, and thinkers. The Organization's focus on improving literacy instruction in the early grades is grounded in research: reading proficiently by the end of third grade is key for future success, and teaching quality has a greater effect on student achievement than any other in-school factor. The Organization provides educators with training and coaching in effective literacy instruction, outfits classrooms with learning materials and children's books, and extends its in-school services through its online professional development portal. The Organization provides these services to school districts in numerous cities and counties including, Philadelphia, Pennsylvania, Elizabeth, New Jersey, Passaic, New Jersey, Broward County, Florida, Chicago, Illinois, Des Plaines, Illinois, Omaha, Nebraska and Boston, Massachusetts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Organization in the preparation of the financial statements.

[1] Basis of presentation:

The accompanying 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 ("U.S. GAAP").

[2] Classification of net assets:

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor-imposed (or certain grantor-imposed) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization reports contributions with donor restrictions as support without donor restrictions if the restrictions are met in the same reporting period as when the contributions are received.

[3] Revenue recognition:

School district contracts:

The Organization earns revenue from contracts with customers through services provided to various school districts.

Revenue is recognized as performance obligations in each contract are satisfied for the amount of consideration the Organization expects to be entitled to receive for the related service.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Revenue recognition: (continued)

*School district contracts: (*continued)

The performance obligations include coaching hours, seminars and materials to be supplied by the Organization. The performance obligations are either recognized over time or at a point in time based on the terms of the contracts. Revenues related to contracts that call for a rate per service hour are recognized at the point in time the service is provided as that is when the obligation is considered satisfied. Revenues related to contracts that require a service be provided over a school year or similar period of time are generally recognized equally over time as the obligations are generally satisfied consistently over the contract term. The transaction price is generally the rate or fee associated with each performance obligation as specified by the contract. Invoices are sent monthly, and payment is due within 30 days of the invoice date.

Revenues recognized at a point in time amounted to $5,287,452 and $4,735,836 for the years ended June 30, 2024 and 2023, respectively. Amounts earned but not received are included as accounts receivable and amounts received but not earned are included as deferred revenue (contract liability) on the statements of financial position. The amount earned but not received was $1,709,462 as of June 30, 2022, and the amount received but not earned was $457,938 as of June 30, 2022.

Philanthropic grants and contributions:

The Organization receives philanthropic grants and contributions from individuals, corporations and foundations including unconditional promises to give. These grants and contributions provide funding to be used to support the mission of the Organization. As the donors are not receiving a benefit as a result of these transactions, the grants and contributions are considered to be contribution revenue to the Organization. Some grants and contributions require that funds be expended for a specific purpose or over a specific period of time and are considered to be net assets with donor restrictions.

The Organization recognizes unconditional contributions when cash, securities or other assets or an unconditional promise to give is received and are recorded after discounting to the present value of the expected future cash flows. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Governmental grants:

The Organization receives government grants and contracts. These grants and contracts provide funding to be used for purposes indicated in the grant agreements. As the government is not receiving a benefit as a result of these transactions, the grants and contracts are considered to be contributions to the Organization. The grant and contract agreements contain spending requirements. As these stipulations create a barrier that must be achieved, government grants and contracts are considered to be conditional contributions until such time as the barriers are overcome. Contributions from these grant and contract agreements are therefore recognized as revenue when costs are incurred and specific service requirements are met, as required by the agreements. Conditional government grants of $-0- and $37,572 as of June 30, 2024 and 2023, respectively, will be recognized in subsequent years as costs are incurred and service requirements are met (see Note N).

Until the financial information required by the funding sources is accepted, costs billed for program services under cost reimbursement contracts are subject to review and possible disallowance. In management's opinion, the potential for material disallowances is remote, and, therefore, is not a barrier that would prevent the recognition of revenue.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Revenue recognition: (continued)

Employee retention tax credit:

The CARES Act provides an employee retention credit ("CARES Employee Retention Credit"), which is a refundable tax credit against certain employment taxes. From March 12, 2020 through December 31, 2020, the tax credit is equal to 50% of qualified wages up to $10,000 or a maximum credit of up to $5,000 per employee. From January 1, 2021 through June 30, 2021, the tax credit is equal to 70% of qualified wages up to $10,000 during a quarter or a maximum credit of up to $14,000 per employee (or $7,000 per quarter). During the fiscal years ended June 30, 2024 and 2023, the Organization has recorded $-0- and $3,657,937, respectively, related to the CARES Employee Retention credit in employee retention credit revenue on the organization's statement of activity and changes in net assets. Amount outstanding as of June 30, 2024 and 2023 is $2,316,301 and $3,657,937, respectively.

[4] Cash and cash equivalents:

Cash and cash equivalents consist of cash accounts at financial institutions and nonbank money market funds. The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. These investments are managed in accordance with the Board-approved investment policy. To assure the line-of-credit arrangement discussed in Note J, the Organization is required to hold $700,000 with the bank as a compensating balance. To assure a credit card arrangement with the same bank, the Organization is required to hold $100,000 with the bank as a compensating balance. For the statements of cash flows, cash is defined as those amounts included in cash and cash equivalents and restricted cash on the statements of financial position.

[5] Investments:

All investments are stated at their fair values. Fair values for stocks and mutual funds are based on quoted market prices. Invested cash and investments in money markets are valued at cost which approximates fair value. Interest and dividends and unrealized gains and losses are included in change in net assets in the accompanying statements of activities and changes in net assets as investment income. Investments received by gift are recorded at fair value at the date of receipt.

[6] Leases:

The Organization determines if an arrangement is a lease at inception.

Operating leases:

Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and long-term portion) on the accompanying statements of financial position. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line rent expense over the lease term.

Leases may include options to extend or terminate the lease which are included in the ROU operating lease assets and operating lease liability when they are reasonably certain of exercise. Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the ROU asset and lease liability.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Leases: (continued)

Operating leases: (continued)

These payments are recognized as an expense in the period in which the related obligation was incurred. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants

Finance leases:

Finance leases are recorded as finance lease ROU assets and finance lease liabilities (current portion and long-term portion) on the accompanying statements of financial position. Finance lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The finance lease ROU assets are amortized on a straight-line basis over the lease term with the related interest expense of the lease liability payment recognized over the lease term using the effective interest method.

[7] Accounts receivable:

Accounts receivable are uncollateralized school district obligations due under normal trade terms requiring payment within 30 days from invoice date.

Accounts receivable are stated at the amount billed to the school district. Account balances from invoices aged over 90 days are considered delinquent.

The carrying amount of accounts receivable is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. The estimate for the allowance for credit losses is derived from a review of the Organization's historical experience and management's evaluation of outstanding accounts receivable. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization has experienced historically low incidences of credit losses and all balances are expected to be collected; therefore, an allowance for credit losses is deemed to be immaterial as of June 30, 2024 and 2023.

[8] Contributions receivable:

Contributions receivable are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history and type of contribution. All balances are expected to be collected; therefore, no allowance has been recorded as of either June 30, 2024 or 2023.

[9] Inventory:

Inventory consists of various books and literacy materials and is stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Management provides an inventory allowance based on its historical experience with obsolescence and transitional items.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Contributed property and equipment are recorded at fair value at the date of donation. The Organization capitalizes all additions over $5,000, while all other costs that do not improve or extend the useful lives of the respective assets are expensed in the period in which they occur.

The Organization computes depreciation using the straight-line method over the following estimated useful lives:

Computer equipment and software	3 - 5 years
Office equipment	5 years
Leasehold improvements	Lesser of 5 - 10 years or life of lease

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2024 and 2023, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[11] Advertising:

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2024 and 2023 was $32,707 and $14,243, respectively.

[12] Functional allocation of expenses:

Directly identifiable expenses are charged to program services, general and administrative, and fundraising as incurred. Payroll, payroll taxes, and employee benefits are charged to the different functions based on the employees' actual functions performed. Expenses related to more than one function are allocated among the functions benefited, as follows: rent, travel, legal and accounting, professional fees, maintenance, recruiting, office, depreciation, insurance, and advertising – based on usage or time and effort as estimated by management.

[13] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP 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 reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Federal tax status:

The Internal Revenue Service has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of general and administrative expenses. There were no income tax related interest and penalties recorded for either of the years ended June 30, 2024 or 2023.

[15] Adoption of new accounting pronouncement:

Effective July 1, 2023, the Organization adopted Financial Accounting Standards Board ("FASB") ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), as amended. ASU 2016-13 replaces the "incurred loss" credit losses framework with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology which requires management's measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized costs.

The Organization adopted ASU 2016-13 using the modified retrospective method for all financial assets measured as amortized cost which consisted of accounts receivable. Results for the year ended June 30, 2023 continue to be reported in accordance with previously applicable GAAP. The adoption and application of the standard had no material effect on these financial statements and primarily resulted in enhanced disclosures only.

NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise of the following as of June 30, 2024 and 2023:

	2024	2023
Current financial assets:		
Cash and cash equivalents	**$ 205,130**	$ 2,084,443
Investments	**211,293**	1,380,997
Accounts receivable	**830,917**	1,105,727
Contributions receivable:		
Governmental grants	**28,096**	90,296
Philanthropic grants	**170,097**	147,445
Employee retention tax credit receivable	**2,316,301**	3,657,937
Financial assets available to meet cash needs for general expenditures within one year	**$ 3,761,834**	$ 8,466,845

NOTE C - LIQUIDITY AND AVAILABILITY (CONTINUED)

General expenditures include program service expenses, general and administrative expenses, and fundraising expenses expected to be paid in the subsequent year.

As part of the Organization's liquidity management plan, the Organization structures 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 short-term liquid investments. As more fully described in Note J, the Organization also has a committed line-of-credit in the amount of $700,000 as of both June 30, 2024 and 2023, $350,000 of which it could draw upon in the event of an unanticipated liquidity need.

NOTE D - ACCOUNTS RECEIVABLE

The Organization's accounts receivable consists of the following as of June 30, 2024 and 2023:

	2024	2023
Elizabeth Public Schools	$ 605,552	$ 837,384
Omaha Public Schools	125,891	-
Learn It Academic Services	49,946	-
Temple Beth Shalom	19,696	-
Universal Education Companies	17,125	-
Temple University	8,000	-
Stanley Mosk Elementary School	4,113	-
Marion P. Thomas Charter School	-	86,121
Chicago Public Schools	-	54,023
Andrew J. Morrison School	-	32,403
School District of Philadelphia	-	23,118
Independence Charter School	-	29,091
Universal Education Companies	-	28,993
People for People Charter School	-	14,547
Others	594	47
	$ 830,917	$ 1,105,727

NOTE E - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of government grants receivable totaling $28,096 and $90,296 as of June 30, 2024 and 2023, respectively, and philanthropic grants receivable totaling $170,097 and $147,445 as of June 30, 2024 and 2023, respectively. All contributions receivable were due within one year as of their respective statement of financial position dates and classified as current assets.

NOTE F - INVENTORY

Inventory consists of the following as of June 30, 2024 and 2023:

	2024	2023
Books	**$ 126,722**	$ 161,739
Less: inventory allowance	**(4,470)**	(4,470)
	$ 122,252	$ 157,269

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2024 and 2023:

	2024	2023
Computer equipment and software	**$ 75,674**	$ 359,022
Office equipment	**77,363**	77,363
Leasehold improvements	**190,740**	190,740
	343,777	627,125
Less: accumulated depreciation	**(265,687)**	(500,300)
	$ 78,090	$ 126,825

Depreciation was $48,735 and $48,734 for the years ended June 30, 2024 and 2023, respectively. The Organization wrote off $283,348 of fully depreciated assets during the year ended June 30, 2024.

NOTE H - INVESTMENTS

Investments consist of the following as of June 30, 2024 and 2023:

	2024		
	Costs	Market Value	Unrealized Gain
Equity mutual funds	**$ 83,055**	**$ 137,509**	**$ 54,454**
Fixed income mutual funds	**73,584**	**73,784**	**200**
	$ 156,639	**$ 211,293**	**$ 54,654**

NOTE H - INVESTMENTS (CONTINUED)

	2023		
	Costs	Market Value	Unrealized Gain (Loss)
Equity mutual funds	$ 633,165	$ 885,187	$ 252,022
Fixed income mutual funds	552,160	495,810	(56,350)
	$ 1,185,325	$ 1,380,997	$ 195,672

Investment income is comprised of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Interest and dividends	**$ 52,842**	$ 118,511
Realized and unrealized gains	**7,094**	100,501
Investment fees	**(11,316)**	(16,344)
	$ 48,620	$ 202,668

NOTE I - FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The Organization uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

The following is a description of the valuation methodology used for assets measured at fair value, which has not changed from the one used as of June 30, 2024 and 2023.

Equity and fixed income mutual funds − Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation method is 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.

NOTE I - FAIR VALUE MEASUREMENTS (CONTINUED)

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following tables set forth, by level, the Organization's investment assets at fair value, within the fair value hierarchy, as of June 30, 2024 and 2023:

	Investment Assets at Fair Value as of June 30, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity mutual funds	**$ 137,509**	**$ -**	**$ -**	**$ 137,509**
Fixed income mutual funds	**73,784**	**-**	**-**	**73,784**
Total investment assets at fair value	**$ 211,293**	**$ -**	**$ -**	**$ 211,293**

	Investment Assets at Fair Value as of June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity mutual funds	$ 885,187	$ -	$ -	$ 885,187
Fixed income mutual funds	495,810	-	-	495,810
Total investment assets at fair value	$ 1,380,997	$ -	$ -	$ 1,380,997

NOTE J - LINE-OF-CREDIT

The Organization has a revolving line-of-credit arrangement with PNC Bank in the amount of $700,000, bearing interest at 2.75% plus Daily BSBY rate (Daily BSBY was 5.41% and 5.22% as of June 30, 2024 and 2023, respectively). The line-of-credit agreement is collateralized by the Organization's $700,000 restricted cash compensating balance. The agreement expires on February 28, 2025. The outstanding balance on the line-of credit was $350,000 and $-0- as of June 30, 2024 and 2023, respectively. Interest expense for the years ended June 30, 2024 and 2023 was $15,913 and $-0-, respectively.

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2024 and 2023:

	2024	2023
Subject to expenditures for specified purpose:		
Literacy development	**$ 100,000**	$ 161,478
Professional development	**75,314**	-
Operational initiatives	**54,900**	17,900
Subject to expenditures for specified purpose and passage of time:		
Multi-year literacy development grants	**145,000**	81,751
Multi-year professional development	**-**	48,694
Subject to passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	**-**	17,000
	$ 375,214	$ 326,823

Net assets were released from donor restriction from the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Satisfaction of purpose restrictions:		
Literacy development	**$ 161,478**	$ 310,084
Professional development	**17,900**	50,000
Satisfaction of purpose and time restrictions:		
Multi-year literacy development grants	**81,751**	369,627
Multi-year professional development	**48,694**	1,306
Satisfaction of time restrictions:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	**17,000**	65,000
	$ 326,823	$ 796,017

NOTE L - LEASES

[1] Operating leases:

The Organization maintains operating lease agreements for office and storage space in buildings in Pennsylvania and New Jersey. The leases expire at various dates through July 2029. Monthly base rent under these leases is approximately $39,000 with increases over the life of the leases. In addition to the base rent, some of the leases include variable lease payments requiring the Organization to pay its proportionate share of real estate taxes and operating expenses during the lease term. Such amounts are considered variable lease payments and are not included in operating leases ROU assets or operating lease obligations balances and are recognized in the period in which the expenses are incurred.

The liabilities under operating leases are recorded at the present value of the minimum lease payments. Lease expense relating to operating leases, consisting of ROU asset amortization and lease obligation interest, is included in rent expense on the accompanying statement of functional expenses.

[2] Finance leases:

The Organization leases certain equipment under a finance lease that expires in March 2027. The liabilities under finance leases are recorded at the present value of the minimum lease payments. Amortization of finance lease ROU assets and interest expense related to finance leases are presented separately on the accompanying statement of functional expenses.

The following maturity analysis of the annual undiscounted cash flows of the operating and finance lease obligations as of June 30, 2024 is approximately as follows:

Year Ending June 30,	Operating Leases	Financing Leases
2025	$ 386,660	$ 34,560
2026	349,032	34,560
2027	356,686	25,920
2028	396,683	-
2029	405,024	-
Thereafter	33,983	-
	1,928,068	95,040
Less: amount representing interest	(312,585)	(8,751)
Total	$ 1,615,483	$ 86,289

Reported as of June 30, 2024	Operating Leases	Financing Leases
Current portion of lease liability	**$ 283,986**	**$ 29,494**
Lease liabilities, net of current portion	**1,331,497**	**56,795**
Total	**$ 1,615,483**	**$ 86,289**

NOTE L - LEASES (CONTINUED)

Reported as of June 30, 2023	Operating Leases	Financing Leases
Current portion of lease liability	$ 316,518	$ 27,521
Lease liabilities, net of current portion	1,615,483	86,289
Total	$ 1,932,001	$ 113,810

The components of lease expense were as follows:

	Year Ended June 30, 2024	Year Ended June 30, 2023
Finance lease costs:		
Amortization of right-of-use assets	**$ 29,366**	$ 29,366
Interest on lease liabilities	**7,039**	8,880
Total finance lease cost	**36,405**	38,246
Operating lease cost	**464,319**	471,836
Total lease cost	**$ 500,724**	$ 510,082

Included in operating lease costs are variable lease costs of $17,950 and $25,467 for the years ended June 30, 2024 and 2023, respectively.

	Year Ended June 30, 2024	Year Ended June 30, 2023
Weighted-average remaining lease terms in years - finance lease	**2.75**	3.67
Weighted-average remaining lease terms in years - operating lease	**4.95**	5.32
Weighted-average discount rate - finance lease	**0.33%**	0.36%
Weighted-average discount rate - operating lease	**6.62%**	6.58%

NOTE M - RETIREMENT PLAN

The Organization has a defined-contribution plan where the Organization has the option to make a discretionary nonelective contribution based on the relationship of an employee's annual salary to the total compensation of all participants. There are no age or service requirements. All full-time employees and part-time employees with over 1,000 hours worked are eligible to make elective deferrals through payroll deductions up to the Internal Revenue Service limits. Participants are 100% vested in the defined-contribution plan. The Organization's contribution was $175,012 and $151,195 for the years ended June 30, 2024 and 2023, respectively.

NOTE N - FEDERAL GRANTS - U.S. DEPARTMENT OF EDUCATION

In October 2018, the Organization was awarded a $3,892,707 five-year grant from the U.S. Department of Education. The grant was being used to continue the Organization's early literacy professional development program. For the years ended June 30, 2024 and 2023, the Organization has recorded $37,572 and $739,365, respectively, (for a cumulative total of $3,892,707) of revenue under this U.S. Department of Education grant. The amounts exclude match revenues of $3,732 and $60,642 (for a cumulative total of $443,574) for the years ended June 30, 2024 and 2023, respectively.

NOTE O - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS AND CONTINGENCIES

Concentrations in government grants and school district contracts:

The Organization earns substantial revenue from certain government grants and school district contracts.

During the year ended June 30, 2024, one government grant accounted for approximately 12% of total revenue and two school district contracts accounted for approximately 41% of total revenue.

During the year ended June 30, 2023, two government grants accounted for approximately 13% of total revenue and two school district contracts accounted for approximately 30% of total revenue.

Concentration of credit and market risks:

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist primarily of cash and investments. At times, the Organization may have cash deposits and temporary cash investments with major financial institutions which exceed Federal Deposit Insurance Corporation limits. Management does not believe cash is subject to undue risk when balances exceed federally insured limits.

The Organization invests in investment securities that are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the financial statements.

NOTE P - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 30, 2025, which is the date the financial statements were available to be issued.