

LITERACY SERVICES OF WISCONSIN, INC.

FINANCIAL STATEMENTS

June 30, 2024 and 2023

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Literacy Services of Wisconsin, Inc.
Milwaukee, Wisconsin

Opinion

We have audited the financial statements of Literacy Services of Wisconsin, Inc., which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Literacy Services of Wisconsin, Inc. as of June 30, 2024 and 2023, 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 Literacy Services of Wisconsin, Inc. 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 Literacy Services of Wisconsin, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Literacy Services of Wisconsin, Inc.'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 Literacy Services of Wisconsin, Inc.'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.

Wegner CPAs LLP

Wegner CPAs, LLP
Waukesha, Wisconsin
October 10, 2024

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 274,062	\$ 311,204
Pledges receivable	622,511	58,834
Grants and contracts receivable	208,395	138,009
Predevelopment costs	65,383	-
Prepaid expenses	6,194	7,051
Total current assets	1,176,545	515,098
FURNITURE AND EQUIPMENT		
Furniture and equipment	85,377	85,377
Accumulated depreciation	(80,745)	(75,435)
Furniture and equipment, net	4,632	9,942
OTHER ASSETS		
Investments	918,411	973,950
Long-term pledges receivable	81,375	-
Cash surrender value of life insurance	23,479	23,387
Beneficial interest in assets held by Greater Milwaukee Foundation	107,273	-
Operating lease right-of-use assets	248,242	402,736
Finance lease right-of-use asset	6,787	8,597
Total other assets	1,385,567	1,408,670
Total assets	\$ 2,566,744	\$ 1,933,710
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 16,362	\$ 9,580
Accrued payroll and vacation	74,823	28,523
Current portion of operating lease liabilities	160,327	155,827
Current portion of finance lease liability	1,763	1,695
Total current liabilities	253,275	195,625
LONG-TERM LIABILITIES		
Operating lease liabilities less current portion	90,360	250,686
Finance lease liability less current portion	5,221	6,984
Total liabilities	348,856	453,295
NET ASSETS		
Without donor restrictions	1,265,181	760,592
With donor restrictions	952,707	719,823
Total net assets	2,217,888	1,480,415
Total liabilities and net assets	\$ 2,566,744	\$ 1,933,710

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions						
Individual contributions	\$ 777,672	\$ 267,160	\$ 1,044,832	\$ 279,500	\$ -	\$ 279,500
Corporate and foundation contributions	72,633	176,300	248,933	128,555	350,700	479,255
Grants and contracts	1,268,818	-	1,268,818	956,026	-	956,026
Special events	114,022	-	114,022	118,048	-	118,048
In-kind contributions	302,532	-	302,532	277,271	-	277,271
Program service revenue						
Registration and material fees	2,281	-	2,281	3,644	-	3,644
Miscellaneous	455	-	455	582	-	582
Investment return, net	49,124	41,877	91,001	44,018	48,345	92,363
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	-	7,273	7,273	-	-	-
Change in value of cash surrender value of life insurance	92	-	92	391	-	391
Total support and revenue	2,587,629	492,610	3,080,239	1,808,035	399,045	2,207,080
EXPENSES						
Program services						
Adult Basic Education	602,575	-	602,575	712,635	-	712,635
English Language Learning	702,353	-	702,353	457,015	-	457,015
Credentialing	635,223	-	635,223	639,444	-	639,444
Total program services	1,940,151	-	1,940,151	1,809,094	-	1,809,094
Supporting activities						
Management and general	171,359	-	171,359	168,703	-	168,703
Fundraising	231,256	-	231,256	194,128	-	194,128
Total supporting activities	402,615	-	402,615	362,831	-	362,831
Total expenses	2,342,766	-	2,342,766	2,171,925	-	2,171,925
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	259,726	(259,726)	-	362,862	(362,862)	-
Change in net assets	504,589	232,884	737,473	(1,028)	36,183	35,155
Net assets at beginning of year	760,592	719,823	1,480,415	761,620	683,640	1,445,260
Net assets at end of year	\$ 1,265,181	\$ 952,707	\$ 2,217,888	\$ 760,592	\$ 719,823	\$ 1,480,415

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

	Program Services			Supporting Activities		Total Expenses
	Adult Basic Education	English Language Learning	Credentialing	Management and General	Fundraising	
Salaries and wages	\$ 286,620	\$ 387,586	\$ 432,172	\$ 98,716	\$ 110,611	\$ 1,315,705
Employee benefits	33,670	26,456	31,477	17,527	8,727	117,857
Payroll taxes	20,810	29,593	32,297	7,188	8,000	97,888
Professional fees	126,206	126,762	56,028	18,637	34,289	361,922
Marketing	6,898	6,349	4,411	1,824	9,402	28,884
Office supplies	1,129	963	577	196	222	3,087
Telephone	6,590	5,077	3,296	1,416	552	16,931
Print and postage	481	428	274	751	1,197	3,131
Subscriptions	277	278	115	1,939	27	2,636
Occupancy	76,878	79,453	39,518	7,432	7,261	210,542
Utilities	7,552	8,023	4,227	1,100	1,100	22,002
GED scholarships and tests	-	-	6,433	-	-	6,433
Maintenance and equipment	9,887	8,976	4,985	1,178	1,727	26,753
Depreciation and amortization	2,724	2,123	1,560	356	356	7,119
Food and beverage	2,552	2,283	1,713	3,381	258	10,187
Travel	360	1,303	481	440	29	2,613
Bank and credit card fees	-	-	-	3,107	-	3,107
Technology	9,351	6,559	5,486	1,820	2,425	25,641
Insurance	7,789	7,410	4,115	3,253	1,073	23,640
Board and staff development	908	734	1,620	1,006	94	4,362
Miscellaneous	150	151	134	77	26	538
Interest	116	110	61	15	15	317
Educational resources	1,627	1,736	4,243	-	-	7,606
Event fees	-	-	-	-	43,865	43,865
Total expenses	\$ 602,575	\$ 702,353	\$ 635,223	\$ 171,359	\$ 231,256	\$ 2,342,766

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services			Supporting Activities		Total Expenses
	Adult Basic Education	English Language Learning	Credentialing	Management and General	Fundraising	
Salaries and wages	\$ 355,518	\$ 231,722	\$ 385,115	\$ 94,551	\$ 104,822	\$ 1,171,728
Employee benefits	38,356	20,991	36,053	17,935	8,691	122,026
Payroll taxes	25,882	17,442	28,929	6,824	7,559	86,636
Professional fees	127,737	83,088	106,705	22,005	300	339,835
Marketing	6,179	3,516	3,439	2,288	12,479	27,901
Office supplies	1,470	675	634	232	237	3,248
Telephone	7,295	3,776	3,180	1,433	533	16,217
Print and postage	661	349	283	72	2,349	3,714
Subscriptions	576	329	237	1,853	40	3,035
Occupancy	94,587	64,766	41,350	7,528	7,453	215,684
Utilities	10,778	6,365	4,678	1,213	1,212	24,246
GED scholarships and tests	-	-	5,094	-	-	5,094
Maintenance and equipment	8,959	5,073	3,893	370	821	19,116
Depreciation	3,337	2,052	1,539	350	385	7,663
Food and beverage	610	365	933	1,547	132	3,587
Travel	2,173	1,341	1,460	116	36	5,126
Bank and credit card fees	-	-	-	3,411	-	3,411
Technology	14,163	6,354	6,409	2,356	1,307	30,589
Insurance	9,419	5,439	4,165	2,908	846	22,777
Board and staff development	2,663	1,504	1,914	1,174	424	7,679
Miscellaneous	114	70	404	288	39	915
Interest	142	75	55	249	14	535
Educational resources	2,016	1,723	2,975	-	-	6,714
Event fees	-	-	-	-	44,449	44,449
Total expenses	\$ 712,635	\$ 457,015	\$ 639,444	\$ 168,703	\$ 194,128	\$ 2,171,925

See accompanying notes

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 737,473	\$ 35,155
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	7,119	7,663
Amortization of operating lease right-of-use assets	154,495	150,175
Net realized and unrealized gains on investments	(73,575)	(72,831)
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	(7,273)	-
Change in value of cash surrender value of life insurance	(92)	(391)
(Increase) decrease in assets		
Pledges receivable	(645,052)	13,105
Grants and contracts receivable	(70,386)	(39,592)
Prepaid expenses	857	694
Increase (decrease) in liabilities		
Accounts payable	6,782	8,133
Accrued payroll and vacation	46,300	8,506
Operating lease liabilities	(155,826)	(146,398)
Net cash flows from operating activities	822	(35,781)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends reinvested	(17,411)	(19,516)
Proceeds from sales of investments	146,525	53,546
Purchases of investments	-	(650)
Deposit to beneficial interest in assets held by Greater Milwaukee Foundation	(100,000)	-
Payment of predevelopment costs	(65,383)	-
Net cash flows from investing activities	(36,269)	33,380
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease liability	(1,695)	(2,348)
Change in cash	(37,142)	(4,749)
Cash at beginning of year	311,204	315,953
Cash at end of year	\$ 274,062	\$ 311,204
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 317	\$ 535

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Literacy Services of Wisconsin, Inc., located in Milwaukee and Waukesha, Wisconsin, provides adults access to education and training to break down barriers and open opportunities. The Organization provides quality basic education, education credentials, and English language skills to engaged adults to achieve greater independence and transform their lives. The Organization is primarily funded by grants and contributions.

Pledges

Unconditional pledges are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Investments

The Organization carries investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

Furniture and Equipment

The Organization capitalizes all acquisitions of furniture and equipment of \$5,000 or more. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence of any donor restrictions. When a 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 restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteers also provided various educational services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization received 12,261 and 11,824 volunteer hours for the years ended June 30, 2024 and 2023, respectively. Management estimates the fair value of those services to be \$463,959 and \$419,846 for the years ended June 30, 2024 and 2023, respectively.

Grants

The Organization receives grants from government agencies and others that are conditioned upon the Organization incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by the Organization, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions.

Beneficial Interest in Assets Held by Greater Milwaukee Foundation

The Organization's beneficial interest in assets held by Greater Milwaukee Foundation represents an agreement between the Organization and the Foundation in which the Organization transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available, which are Level 3 fair value measurements. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to the Organization by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

On June 30, 2024, beneficial interest in assets held by the Foundation consisted of:

Beginning balance	\$	-
Deposit to Greater Milwaukee Foundation		100,000
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation		<u>7,273</u>
	<u>\$</u>	<u>107,273</u>

Leases

The Organization does not recognize short-term leases in the statement of financial position. For these leases, the Organization recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Organization also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Organization uses a risk-free rate as the discount rate for the lease for all classes of underlying assets

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, professional fees, marketing, office supplies, telephone, print and postage, subscriptions, food and beverage, travel, insurance, and board and staff development, which are allocated on the basis of estimates of time and effort as well as depreciation, occupancy, utilities, maintenance and equipment, technology, and insurance which are allocated on a square-footage basis.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through October 10, 2024, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments consist of the following:

	2024	2023
Money market funds	\$ 24,983	\$ 9,750
Stock mutual funds	593,213	650,248
Bond mutual funds	300,215	313,952
	\$ 918,411	\$ 973,950

Fair values of stock mutual funds and bond mutual funds are based on quoted net asset values of the shares as reported by the fund, which are Level 1 fair value measurements. The stock mutual funds and bond mutual funds held by the Organization are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The stock mutual funds and bond mutual funds held by the Organization are considered to be actively traded.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 3 – PLEDGES

Unconditional pledges receivable at the end of the year are as follows:

	2024	2023
Receivable in less than one year	\$ 622,511	\$ 58,834
Receivable in one to five years	81,375	-
	\$ 703,886	\$ 58,834

NOTE 4 – LEASES

The Organization leases office space at two locations and office equipment under operating and finance leases that expire at various dates through March 31, 2028. Some leases include options to renew, which the Organization is reasonably certain will not be exercised. Lease payments are generally fixed, and the Organization does not expect to exercise any options to terminate these leases.

The components of total least cost are as follows:

	2024	2023
Finance lease cost		
Amortization of right-of-use assets	\$ 1,810	\$ 913
Interest on lease liabilities	305	201
Operating lease cost	163,663	163,663
Total lease cost	\$ 165,778	\$ 164,777

Other information related to leases is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance lease	\$ 311	\$ 173
Financing cash flows from finance lease	1,689	2,220
Operating cash flows from operating leases	164,996	159,886
Right-of-use assets obtained in exchange for new finance lease liability	-	10,870
Weighted-average remaining lease term		
Finance lease	3.75 years	4.75 years
Operating leases	2.56 years	2.56 years
Weighted-average discount rate		
Finance lease	3.94%	3.94%
Operating leases	2.85%	2.85%

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 – LEASES (continued)

The maturities of lease liabilities as of June 30, 2024, are as follows:

	Finance Lease	Operating Leases
Year ending June 30:		
2025	\$ 2,000	\$ 164,996
2026	2,000	90,997
2027	2,000	-
2028	1,500	-
Total minimum lease payments	7,500	255,993
Imputed interest	(516)	(5,306)
Total lease liabilities	\$ 6,984	\$ 250,687

NOTE 5 – CONDITIONAL GRANTS

The Organization has several grants that are conditioned upon the Organization incurring qualifying expenses under the grant programs. At June 30, 2024, these conditional grants total \$248,526. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 6 – IN-KIND CONTRIBUTIONS

In-kind contributions recognized within the statements of activities include:

	2024	2023
Educational services	\$ 302,532	\$ 272,994
Career coach consultant	-	3,164
Web designer services	-	1,113
	\$ 302,532	\$ 277,271

In-kind contributions include services from professors, speech and language pathologists, other educators, and consultants providing educational and other services to improve reading, writing, and speaking English, and preparing students for tests to earn a Certificate of General Education Development or High School Equivalency Diploma. Such services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services and hourly rates based on the Independent Sector as well as the National Education Association, with the Do Good Institute, for national value of volunteer hours in the United States. Web designer services are valued at current rates for similar services in Milwaukee, Wisconsin. These contributed services are all used within the Organization’s program services.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a defined contribution plan. Employees who agree to make contributions to the plan are eligible to receive employer matching contributions after three years of service. Further, employees must have earned at least \$5,000 in the previous two years and reasonably expect to earn \$5,000 in the year of participation to be eligible for the plan. Employer contributions for the years ended June 30, 2024 and 2023 total \$15,529 and \$14,578, respectively.

NOTE 8 – PAYCHECK PROTECTION PROGRAM LOANS

The Organization received loans totaling \$406,327 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On March 23, 2021, the SBA preliminarily approved forgiveness of the Organization's first draw loan. On October 18, 2021, the SBA preliminarily approved forgiveness of the Organization's second draw loan. The Organization must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Organization's good faith certification concerning the necessity of its loan request, whether the Organization calculated the loan amount correctly, whether the Organization used loan proceeds for the allowable uses specified in the CARES Act, and whether the Organization is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Organization was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 9 – NET ASSETS

As of June 30, 2024 and 2023, the Organization's board of directors has designated \$392,836 and \$390,161, respectively, of net assets without donor restrictions for the Organization's board designated endowment.

Net assets with donor restrictions are restricted for the following purposes:

	2024	2023
Subject to expenditure for specified purpose:		
GED Scholarships	\$ 14,220	\$ 14,220
Opportunity Pathway Program	15,000	54,100
Building development	266,960	-
Merger-related activities	-	29,000
Reducing Barriers	-	14,375
Other program costs	200	951
Subject to the Organization's endowment appropriation:		
Operating support	656,327	607,177
Net assets with donor restrictions	\$ 952,707	\$ 719,823

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 10 – ENDOWMENT

The Organization's endowment consists of funds held in money market, mutual funds, a life insurance policy, and assets held by Greater Milwaukee Foundation to be used for operating support. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the discretion of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

During the year ended June 30, 2024, the Organization established a fund at the Greater Milwaukee Foundation to invest a portion of its endowment assets. The agreement between the Organization and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to the Organization. However, the Foundation may make annual distributions of the income earned on the fund subject to the Foundation's spending policy.

Investment Return Objectives, Risk Parameters, and Strategies: The Organization has adopted investment policies for endowment assets that are directed toward long-term performance and total return, rather than specific income goals. The Organization targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to provide for growth of capital and produce returns to fund operations, while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy: Periodically it may become necessary for management to request a disbursement from the endowment assets to meet operational expenses. In those instances, management should prepare written documentation of what the requested funds would be used for and present it to the finance committee for approval. Only members of the finance committee are able to authorize withdrawals from the endowment assets.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 10 – ENDOWMENT (continued)

Endowment net asset composition by type of fund as of June 30, 2024 and 2023, is as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$ 412,749	\$ 412,749
Accumulated investment gains	-	243,578	243,578
Board-designated endowment funds	392,836	-	392,836
Total endowment funds	<u>\$ 392,836</u>	<u>\$ 656,327</u>	<u>\$ 1,049,163</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$ 412,749	\$ 412,749
Accumulated investment gains	-	194,428	194,428
Board-designated endowment funds	390,161	-	390,161
Total endowment funds	<u>\$ 390,161</u>	<u>\$ 607,177</u>	<u>\$ 997,338</u>

Changes in endowment net assets for the years ended June 30, 2024 and 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2022	\$ 399,314	\$ 558,832	\$ 958,146
Investment return, net	44,393	48,345	92,738
Appropriations	(53,546)	-	(53,546)
Balance at June 30, 2023	390,161	607,177	997,338
Investment return, net	49,200	41,877	91,077
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	-	7,273	7,273
Appropriations	(46,525)	-	(46,525)
Balance at June 30, 2024	<u>\$ 392,836</u>	<u>\$ 656,327</u>	<u>\$ 1,049,163</u>

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 11 – LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year of the date of statement of financial position because of donor-imposed restrictions or internal designations:

	2024	2023
Financial assets at year-end:		
Cash	\$ 274,062	\$ 311,204
Pledges receivable	622,511	58,834
Grants and contracts receivable	208,395	138,009
Investments	918,411	973,950
Beneficial interest in assets held by Greater Milwaukee Foundation	107,273	-
Cash surrender value of life insurance	23,479	23,387
 Total financial assets	 2,154,131	 1,505,384
 Less those unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(296,380)	(112,646)
Restricted by donors for endowment	(656,327)	(607,177)
Board designated for endowment	(392,836)	(390,161)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 808,588	 \$ 395,400

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. Financial assets not available for general expenditures at June 30, 2024 and 2023, include \$392,836 and \$390,161, respectively, set aside for long-term purposes as a board-designated endowment; however, amounts could be made available if necessary with board approval.

NOTE 12 – SUBSEQUENT EVENTS

On July 15, 2024, the Organization purchased a building for \$885,000 and obtained a \$2,141,436 note to finance the purchase of the building and improvements. The note carries an interest rate of 5.9% and is payable in monthly installments through July 15, 2029. Interest only payments are required through the construction period with principal and interest payments expected to begin in August 2025. The note is secured by the building and substantially all other assets of the Organization.