

LITERACY SERVICES OF WISCONSIN, INC.

FINANCIAL STATEMENTS

June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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
November 5, 2025

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 443,307	\$ 274,062
Pledges receivable	208,991	622,511
Grants and contracts receivable	166,076	208,395
Predevelopment costs	-	65,383
Prepaid expenses	7,902	6,194
Total current assets	826,276	1,176,545
Property and equipment, net	3,277,747	4,632
OTHER ASSETS		
Investments	829,839	918,411
Long-term pledges receivable	95,525	81,375
Cash surrender value of life insurance	23,597	23,479
Beneficial interest in assets held by Greater Milwaukee Foundation	121,061	107,273
Operating lease right-of-use assets	19,910	248,242
Finance lease right-of-use asset	11,617	6,787
Total other assets	1,101,549	1,385,567
Total assets	\$ 5,205,572	\$ 2,566,744
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 59,200	\$ 16,362
Construction payable	108,127	-
Accrued payroll and vacation	30,668	74,823
Current portion of mortgage note payable	60,365	-
Current portion of operating lease liabilities	113,254	160,327
Current portion of finance lease liability	3,084	1,763
Total current liabilities	374,698	253,275
LONG-TERM LIABILITIES		
Mortgage note payable less current portion	2,124,990	-
Operating lease liabilities less current portion	-	90,360
Finance lease liability less current portion	8,788	5,221
Total long-term liabilities	2,133,778	95,581
Total liabilities	2,508,476	348,856
NET ASSETS		
Without donor restrictions	2,060,298	1,265,181
With donor restrictions	636,798	952,707
Total net assets	2,697,096	2,217,888
Total liabilities and net assets	\$ 5,205,572	\$ 2,566,744

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions						
Individual contributions	\$ 239,011	\$ 970,648	\$ 1,209,659	\$ 777,672	\$ 267,160	\$ 1,044,832
Corporate and foundation contributions	29,771	325,850	355,621	72,633	176,300	248,933
Grants and contracts	1,105,006	-	1,105,006	1,268,818	-	1,268,818
Special events	138,490	-	138,490	114,022	-	114,022
In-kind contributions	419,340	-	419,340	302,532	-	302,532
Program service revenue						
Registration and material fees	374	-	374	2,281	-	2,281
Miscellaneous	659	-	659	455	-	455
Investment return, net	68,037	39,628	107,665	49,124	41,877	91,001
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	-	13,787	13,787	-	7,273	7,273
Change in value of cash surrender value of life insurance	118	-	118	92	-	92
Total support and revenue	2,000,806	1,349,913	3,350,719	2,587,629	492,610	3,080,239
EXPENSES AND LOSSES						
Program services						
Adult Basic Education	803,446	-	803,446	602,575	-	602,575
English Language Learning	829,295	-	829,295	702,353	-	702,353
Credentialing	704,710	-	704,710	635,223	-	635,223
Total program services	2,337,451	-	2,337,451	1,940,151	-	1,940,151
Supporting activities						
Management and general	191,383	-	191,383	171,359	-	171,359
Fundraising	271,576	-	271,576	231,256	-	231,256
Total supporting activities	462,959	-	462,959	402,615	-	402,615
Total expenses	2,800,410	-	2,800,410	2,342,766	-	2,342,766
Loss from termination of lease	69,116	-	69,116	-	-	-
Loss on sale of property and equipment	1,985	-	1,985	-	-	-
Total expenses and losses	2,871,511	-	2,871,511	2,342,766	-	2,342,766
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	1,665,822	(1,665,822)	-	259,726	(259,726)	-
Change in net assets	795,117	(315,909)	479,208	504,589	232,884	737,473
Net assets at beginning of year	1,265,181	952,707	2,217,888	760,592	719,823	1,480,415
Net assets at end of year	\$ 2,060,298	\$ 636,798	\$ 2,697,096	\$ 1,265,181	\$ 952,707	\$ 2,217,888

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2025

	Program Services			Supporting Activities		Total Expenses
	Adult Basic Education	English Language Learning	Credentialing	Management and General	Fundraising	
Salaries and wages	\$ 379,577	\$ 416,033	\$ 423,442	\$ 106,505	\$ 129,301	\$ 1,454,858
Employee benefits	40,333	32,911	35,557	5,986	11,323	126,110
Payroll taxes	27,686	31,472	31,013	8,044	9,465	107,680
Professional fees	175,471	161,529	107,021	20,606	31,195	495,822
Marketing	8,792	8,658	5,093	11,997	2,061	36,601
Office supplies	270	259	167	543	59	1,298
Telephone	7,022	6,025	3,141	1,620	620	18,428
Print and postage	544	528	246	156	2,183	3,657
Subscriptions	417	442	145	2,197	25	3,226
Occupancy	77,100	85,913	37,237	8,016	7,492	215,758
Utilities	7,884	8,170	3,167	1,068	1,068	21,357
GED scholarships and tests	2,000	2,000	8,183	-	-	12,183
Maintenance and equipment	39,278	36,795	22,789	5,403	5,588	109,853
Depreciation and amortization	5,907	5,753	3,419	838	838	16,755
Food and beverage	1,373	1,384	821	3,655	483	7,716
Travel	2,057	3,089	1,677	1,653	432	8,908
Bank and credit card fees	-	-	-	4,486	-	4,486
Technology	11,294	11,677	5,703	2,758	2,646	34,078
Insurance	7,332	7,871	3,588	3,349	1,044	23,184
Board and staff development	1,204	1,285	2,740	1,263	382	6,874
Miscellaneous	170	172	76	302	26	746
Interest	6,673	6,134	4,077	938	938	18,760
Educational resources	1,062	1,195	5,408	-	-	7,665
Event fees	-	-	-	-	64,407	64,407
Total expenses	\$ 803,446	\$ 829,295	\$ 704,710	\$ 191,383	\$ 271,576	\$ 2,800,410

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	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.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 479,208	\$ 737,473
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	16,755	7,119
Amortization of operating lease right-of-use assets	158,994	154,495
Net realized and unrealized gains on investments	(66,961)	(73,575)
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	(13,787)	(7,273)
Change in value of cash surrender value of life insurance	(118)	(92)
Loss on disposal of property and equipment	1,985	-
Loss from termination of lease	69,116	-
(Increase) decrease in assets		
Pledges receivable	399,370	(645,052)
Grants and contracts receivable	42,319	(70,386)
Prepaid expenses	(1,708)	857
Increase (decrease) in liabilities		
Accounts payable	26,312	6,782
Accrued payroll and vacation	(44,155)	46,300
Operating lease liabilities	(137,433)	(155,826)
Net cash flows from operating activities	929,897	822
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends reinvested	(19,467)	(17,411)
Proceeds from sales of investments	175,000	146,525
Deposit to beneficial interest in assets held by Greater Milwaukee Foundation	-	(100,000)
Purchases of property and equipment	(914,444)	-
Payment of predevelopment costs	-	(65,383)
Net cash flows from investing activities	(758,911)	(36,269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease liability	(1,741)	(1,695)
Change in cash	169,245	(37,142)
Cash at beginning of year	274,062	311,204
Cash at end of year	\$ 443,307	\$ 274,062
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest, net of capitalized interest	\$ 13,310	\$ 317
Noncash investing and financing transactions		
Loan fees financed through mortgage note payable	51,523	-
Property and equipment acquired with mortgage note payable	2,182,350	-
Property and equipment acquired with construction payable	108,127	-
Property and equipment acquired with accounts payable	17,202	-

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 Receivable

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.

Property and Equipment

The Organization capitalizes all acquisitions of property and equipment of \$5,000 or more. Property 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, 2025 and 2024

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 13,370 and 12,261 volunteer hours for the years ended June 30, 2025 and 2024, respectively. Management estimates the fair value of those services to be \$577,487 and \$463,959 for the years ended June 30, 2025 and 2024, 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.

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.

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).

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 November 5, 2025, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at two financial institutions located in southeastern Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2025, the Organization’s uninsured cash balances totaled total approximately \$169,000.

NOTE 3 – INVESTMENTS

Investments consist of the following:

	2025	2024
Money market funds	\$ 24,027	\$ 24,983
Equity mutual funds	535,387	593,213
Fixed income mutual funds	270,425	300,215
	\$ 829,839	\$ 918,411

Fair values of equity mutual funds and fixed income funds are valued at the closing price reported on the active market on which the mutual funds are traded and are Level 1 fair value measurements.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 – PLEDGES

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

	2025	2024
Receivable in less than one year	\$ 208,991	\$ 622,511
Receivable in one to five years	95,525	81,375
	\$ 304,516	\$ 703,886

NOTE 5 – LEASES

The Organization leases office space at two locations and office equipment under operating and finance leases that expire at various dates through May 2030. Some leases include options to renew, which the Organization is reasonably certain will not be exercised. The Organization terminated its Milwaukee office lease as of June 30, 2025. In connection with the lease termination, the Organization derecognized the related right-of-use assets and recorded a loss of \$69,116.

The components of total least cost are as follows:

	2025	2024
Finance lease cost		
Amortization of right-of-use assets	\$ 1,923	\$ 1,810
Interest on lease liabilities	259	305
Operating lease cost	163,663	163,663
Total lease cost	\$ 165,845	\$ 165,778

Other information related to leases is as follows:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance lease	\$ 265	\$ 311
Financing cash flows from finance lease	1,859	1,689
Operating cash flows from operating leases	164,996	164,996
Right-of-use assets obtained in exchange for new finance lease liability	6,752	-
Weighted-average remaining lease term		
Finance lease	3.96 years	3.75 years
Operating leases	0.58 years	1.56 years
Weighted-average discount rate		
Finance lease	3.95%	3.94%
Operating leases	2.85%	2.85%

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 5 – LEASES (continued)

The maturities of lease liabilities as of June 30, 2025, are as follows:

	Finance Lease	Operating Leases
Year ending June 30:		
2026	\$ 3,491	\$ 114,022
2027	3,491	-
2028	2,991	-
2029	1,490	-
2030	1,367	-
Total minimum lease payments	12,830	114,022
Imputed interest	(958)	(768)
Total lease liabilities	\$ 11,872	\$ 113,254

During the year ended June 30, 2025, the Organization vacated its Milwaukee, Wisconsin office prior to the lease expiration date of December 31, 2025. The landlord subsequently filed a lawsuit seeking unpaid rent through the end of the lease term, plus interest. The Organization has denied these allegations and asserted that the landlord breached the lease agreement by failing to provide a tenable space. On October 23, 2025, a settlement was reached of \$50,000 and litigation was dismissed.

NOTE 6 – CONDITIONAL GRANTS

The Organization has several grants that are conditioned upon the Organization incurring qualifying expenses under the grant programs. At June 30, 2025, these conditional grants totaling approximately \$838,000. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 7 – IN-KIND CONTRIBUTIONS

In-kind contributions recognized within the statement of activities for the years ended June 30, 2025 and 2024, include \$419,340 and \$302,532, respectively of educational services.

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. These contributed services are all used within the Organization's program services.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 loan.

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2025	2024
Land	\$ 147,221	\$ -
Building and building improvements	3,119,636	-
Furniture and equipment	23,188	85,377
Total property and equipment	3,290,045	85,377
Accumulated depreciation	(12,298)	(80,745)
Property and equipment, net	\$ 3,277,747	\$ 4,632

NOTE 10 – MORTGAGE NOTE PAYABLE

The Organization obtained a mortgage note payable to finance the purchase and renovation of a building. The note bears interest at 5.9% and requires monthly interest only payments through July 15, 2025. Beginning August 15, 2025, monthly principal and interest payments of \$16,761 will be due through July 15, 2029. The note is secured by the property. For the year ended June 30, 2025, interest expense totaled \$64,043, of which \$45,372 was capitalized to the building. Mortgage note payable is net of debt issuance costs of \$48,518, which are amortized over the term of the note.

Future scheduled maturities of mortgage note payable are as follows:

2026	\$ 63,189
2027	73,266
2028	77,430
2029	82,532
2030	1,937,456
	\$ 2,233,873

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 11 – 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, 2025 and 2024

NOTE 11 – ENDOWMENT (continued)

Endowment net asset composition by type of fund as of June 30, 2025 and 2024, is as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$ 412,749	\$ 412,749
Accumulated investment gains	-	154,429	154,429
Board-designated endowment funds	407,319	-	407,319
Total endowment funds	\$ 407,319	\$ 567,178	\$ 974,497

	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	\$ 392,836	\$ 656,327	\$ 1,049,163

Changes in endowment net assets for the years ended June 30, 2025 and 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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	392,836	656,327	1,049,163
Investment return, net	46,919	53,415	100,334
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	-	-	-
Appropriations	(32,436)	(142,564)	(175,000)
Balance at June 30, 2025	\$ 407,319	\$ 567,178	\$ 974,497

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 12 – 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:

	2025	2024
Financial assets at year-end:		
Cash	\$ 443,307	\$ 274,062
Pledges receivable	208,991	622,511
Grants and contracts receivable	166,076	208,395
Investments	829,839	918,411
Beneficial interest in assets held by Greater Milwaukee Foundation	121,061	107,273
Cash surrender value of life insurance	23,597	23,479
Total financial assets	1,792,871	2,154,131
Less those unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(69,620)	(296,380)
Restricted by donors for endowment	(567,178)	(656,327)
Board designated for endowment	(407,319)	(392,836)
Financial assets available to meet cash needs for general expenditures within one year	\$ 748,754	\$ 808,588

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, 2025 and 2024, include \$407,319 and \$392,836, respectively, set aside for long-term purposes as a board-designated endowment; however, amounts could be made available if necessary with board approval.

NOTE 13 – 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, 2025 and 2024 total \$20,716 and \$15,529, respectively.

LITERACY SERVICES OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 14 – NET ASSETS

As of June 30, 2025 and 2024, the Organization’s board of directors has designated \$407,319 and \$392,836, respectively, of net assets without donor restrictions for the Organization’s board designated endowment.

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

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
GED Scholarships	\$ 14,220	\$ 14,220
Opportunity Pathway Program	15,000	15,000
Building development	-	266,960
Other program costs	400	200
Future operations	40,000	-
Subject to the Organization's endowment appropriation:		
Operating support	<u>567,178</u>	<u>656,327</u>
Net assets with donor restrictions	<u>\$ 636,798</u>	<u>\$ 952,707</u>