LITERACY SERVICES OF WISCONSIN, INC.

FINANCIAL STATEMENTS

June 30, 2026 and 2025

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Wegner CPAs

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, 2026 and 2025, 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, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

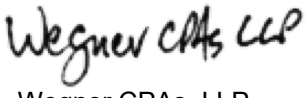
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- 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
Waukesha, Wisconsin
October 27, 2026

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2026 and 2025

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash	$ 322,430	$ 443,307
Pledges receivable	248,221	208,991
Grants and contracts receivable	185,880	166,076
Prepaid expenses	8,687	7,902
Total current assets	765,218	826,276
PROPERTY AND EQUIPMENT, NET	3,216,396	3,277,747
OTHER ASSETS		
Investments	935,937	829,839
Long-term pledges receivable	40,500	95,525
Cash surrender value of life insurance	-	23,597
Beneficial interest in assets held by Greater Milwaukee Foundation	134,034	121,061
Operating lease right-of-use assets	21,084	19,910
Finance lease right-of-use asset	8,457	11,617
Total other assets	1,140,012	1,101,549
Total assets	$ 5,121,626	$ 5,205,572
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 42,847	$ 59,200
Construction payable	-	108,127
Accrued payroll and vacation	31,763	30,668
Current portion of mortgage note payable	66,305	63,189
Current portion of operating lease liabilities	21,392	113,254
Current portion of finance lease liability	3,208	3,084
Total current liabilities	165,515	377,522
LONG-TERM LIABILITIES		
Mortgage note payable less current portion, net	2,171,898	2,122,166
Finance lease liability less current portion	5,580	8,788
Total long-term liabilities	2,177,478	2,130,954
Total liabilities	2,342,993	2,508,476
NET ASSETS		
Without donor restrictions	2,035,515	2,060,298
With donor restrictions	743,118	636,798
Total net assets	2,778,633	2,697,096
Total liabilities and net assets	$ 5,121,626	$ 5,205,572

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2026 and 2025

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions						
Individual contributions	$ 333,615	$ 234,158	$ 567,773	$ 239,011	$ 970,648	$ 1,209,659
Corporate and foundation contributions	138,222	398,240	536,462	29,771	325,850	355,621
Grants and contracts	1,253,285	-	1,253,285	1,105,006	-	1,105,006
Special events	125,240	-	125,240	138,490	-	138,490
In-kind contributions	382,690	-	382,690	419,340	-	419,340
Program service revenue						
Registration and material fees	278	-	278	374	-	374
Miscellaneous	677	-	677	659	-	659
Gain on lease settlement	42,232	-	42,232	-	-	-
Investment return, net	66,274	48,647	114,921	68,037	39,628	107,665
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	-	12,973	12,973	-	13,787	13,787
Change in value of cash surrender value of life insurance	-	-	-	118	-	118
Total support and revenue	2,342,513	694,018	3,036,531	2,000,806	1,349,913	3,350,719
EXPENSES AND LOSSES						
Program services						
Adult Basic Education	894,826	-	894,826	803,446	-	803,446
English Language Learning	763,379	-	763,379	829,295	-	829,295
Credentialing	836,818	-	836,818	704,710	-	704,710
Total program services	2,495,023	-	2,495,023	2,337,451	-	2,337,451
Supporting activities						
Management and general	239,064	-	239,064	191,383	-	191,383
Fundraising	220,907	-	220,907	271,576	-	271,576
Total supporting activities	459,971	-	459,971	462,959	-	462,959
Total expenses	2,954,994	-	2,954,994	2,800,410	-	2,800,410
Loss from termination of lease	-	-	-	69,116	-	69,116
Loss on disposal of property and equipment	-	-	-	1,985	-	1,985
Total expenses and losses	2,954,994	-	2,954,994	2,871,511	-	2,871,511
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	587,698	(587,698)	-	1,665,822	(1,665,822)	-
Change in net assets	(24,783)	106,320	81,537	795,117	(315,909)	479,208
Net assets at beginning of year	2,060,298	636,798	2,697,096	1,265,181	952,707	2,217,888
Net assets at end of year	$ 2,035,515	$ 743,118	$ 2,778,633	$ 2,060,298	$ 636,798	$ 2,697,096

See accompanying notes.

LITERACY SERVICES OF WISCONSIN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2026

	Program Services			Supporting Activities		
	Adult Basic Education	English Language Learning	Credentialing	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 426,819	$ 397,276	$ 497,963	$ 113,241	$ 112,456	$ 1,547,755
Employee benefits	44,984	30,402	40,734	2,447	11,791	130,358
Payroll taxes	31,384	30,187	37,288	8,740	8,056	115,655
Professional fees	173,942	133,190	95,566	65,551	2,572	470,821
Marketing	8,559	7,597	6,155	2,053	11,539	35,903
Office supplies	1,072	834	603	461	165	3,135
Telephone	8,042	5,705	4,686	1,603	703	20,739
Print and postage	528	414	333	132	2,811	4,218
Subscriptions	501	317	276	2,437	42	3,573
Occupancy	27,721	29,700	19,581	4,388	3,361	84,751
Utilities	6,982	5,450	3,920	909	909	18,170
GED scholarships and tests	1,097	818	7,476	-	-	9,391
Maintenance and equipment	22,327	12,877	17,827	3,575	2,326	58,932
Depreciation and amortization	31,490	20,257	27,888	4,349	4,349	88,333
Food and beverage	3,458	3,068	1,831	4,195	478	13,030
Travel	2,309	1,895	4,548	317	30	9,099
Bank and credit card fees	-	-	-	4,975	-	4,975
Technology	30,147	23,857	23,150	3,682	3,779	84,615
Insurance	12,446	10,249	7,071	4,090	1,654	35,510
Board and staff development	1,748	1,143	424	1,165	304	4,784
Miscellaneous	1,008	774	532	675	106	3,095
Interest	54,960	44,479	32,092	1,840	7,292	140,663
Bad debt	-	-	-	8,015	-	8,015
Educational resources	3,302	2,890	6,874	-	19	13,085
Event fees	-	-	-	224	46,165	46,389
Total expenses	$ 894,826	$ 763,379	$ 836,818	$ 239,064	$ 220,907	$ 2,954,994

See accompanying notes.

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

	Program Services			Supporting Activities		
	Adult Basic Education	English Language Learning	Credentialing	Management and General	Fundraising	Total Expenses
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.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 81,537	$ 479,208
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	88,333	16,755
Bad debt	8,015	-
Amortization of operating lease right-of-use assets	93,535	158,994
Interest and dividends reinvested	(22,597)	(19,467)
Net realized and unrealized gains on investments	(83,501)	(66,961)
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	(12,973)	(13,787)
Change in value of cash surrender value of life insurance	-	(118)
Loss on disposal of property and equipment	-	1,985
Loss from termination of lease	-	69,116
Gain on settlement of operating lease	(42,232)	-
Payment to settle operating lease obligation	(50,000)	-
(Increase) decrease in assets		
Pledges receivable	7,780	399,370
Grants and contracts receivable	(19,804)	42,319
Prepaid expenses	(785)	(1,708)
Increase (decrease) in liabilities		
Accounts payable	(16,352)	26,312
Accrued payroll and vacation	1,095	(44,155)
Operating lease liabilities	(94,339)	(137,433)
Net cash flows from operating activities	(62,288)	910,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	175,000
Proceeds from surrender of life insurance policy	23,597	-
Purchases of property and equipment	(23,822)	(914,444)
Net cash flows from investing activities	(225)	(739,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease liability	(3,084)	(1,741)
Principal payments on mortgage payable	(55,280)	-
Net cash flows from financing activities	(58,364)	(1,741)
Change in cash	(120,877)	169,245
Cash at beginning of year	443,307	274,062
Cash at end of year	$ 322,430	$ 443,307

See accompanying notes.

NOTE 1 – NATURE OF ACTIVITIES AND 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.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteers 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 unrecognized volunteer hours for the years ended June 30, 2026 and 2025 were 4,591 and 4,546, respectively. Management estimates the fair value of those services to be $159,175 and $158,152 for the years ended June 30, 2026 and 2025, 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.

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).

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 and amortization, occupancy, utilities, maintenance and equipment, technology, and insurance which are allocated on a square-footage basis.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 27, 2026, 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, 2026, and 2025 the Organization's uninsured cash balances totaled approximately $61,000 and $169,000, respectively.

NOTE 3 – INVESTMENTS

Investments consist of the following:

	2026	2025
Money market funds	$ 28,838	$ 24,027
Equity mutual funds	603,833	535,387
Fixed income mutual funds	303,266	270,425
	$ 935,937	$ 829,839

NOTE 4 – PLEDGES RECEIVABLE

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

	2026	2025
Receivable in less than one year	$ 248,221	$ 208,991
Receivable in one to five years	40,500	95,525
	$ 288,721	$ 304,516

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, 2026, these conditional grants totaling approximately $662,000. 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 statement of activities for the year ended June 30, 2026 includes $357,890 of educational services and $24,800 donated legal services. In-kind contributions recognized within the statement of activities for the year ended June 30, 2025 includes $419,340 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. Donated legal services were utilized in management and general activities.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2026	2025
Land	$ 147,221	$ 147,221
Building and building improvements	3,122,328	3,119,636
Furniture and equipment	44,318	23,188
Total property and equipment	3,313,867	3,290,045
Accumulated depreciation	(97,471)	(12,298)
Property and equipment, net	$ 3,216,396	$ 3,277,747

NOTE 8 – 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, 2026 and 2025 total $22,232 and $20,716, respectively.

NOTE 9 – 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, 2026, interest expense totaled $46,389. For the year ended June 30, 2025, interest incurred totaled $64,043, of which $45,372 was capitalized to the building. For the years ended June 30, 2026 and 2025, mortgage note payable is net of unamortized debt issuance costs of $45,695 and $48,519, respectively, which are amortized over the term of the note.

Future scheduled maturities of mortgage note payable are as follows:

2027	$ 66,305
2028	70,020
2029	74,687
2030	2,072,886
	$ 2,283,898

NOTE 10 – 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. If SBA determines the Organization was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the ineligible amount.

NOTE 11 – 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.

The components of total least cost are as follows:

	2026	2025
Finance lease cost		
Amortization of right-of-use assets	$ 3,160	$ 1,923
Interest on lease liabilities	407	259
Operating lease cost	24,777	163,663
Total lease cost	$ 28,344	$ 165,845

NOTE 11 – LEASES (continued)

Other information related to leases is as follows:

	2026	2025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance lease	$ 413	$ 265
Financing cash flows from finance lease	3,078	1,859
Operating cash flows from operating leases	25,581	164,996
Right-of-use assets obtained in exchange for new finance lease liability	-	6,752
Right-of-use assets obtained in exchange for new operating lease liability	25,371	-
Weighted-average remaining lease term		
Finance lease	3.08 years	3.96 years
Operating leases	0.83 years	0.58 years
Weighted-average discount rate		
Finance lease	3.95%	3.95%
Operating leases	3.84%	2.85%

The maturities of lease liabilities as of June 30, 2026, are as follows:

	Finance Lease	Operating Leases
Year ending June 30:		
2027	$ 3,491	$ 21,672
2028	2,991	-
2029	1,491	-
2030	1,366	-
Total minimum lease payments	9,339	21,672
Imputed interest	(551)	(280)
Total lease liabilities	$ 8,788	$ 21,392

During the year ended June 30, 2025, the Organization vacated its Milwaukee, Wisconsin office prior to the lease expiration date of December 31, 2025. On October 23, 2025, a $50,000 settlement was reached for early termination of the lease.

NOTE 12 – 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.

NOTE 12 – ENDOWMENT (continued)

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.

The Organization has 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.

NOTE 12 – ENDOWMENT (continued)

Endowment net asset composition by type of fund as of June 30, 2026 and 2025, is as follows:

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	$ -	$ 412,749	$ 412,749
Accumulated investment gains	-	216,049	216,049
Board-designated endowment funds	441,173	-	441,173
Total endowment funds	$ 441,173	$ 628,798	$ 1,069,971

	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

Changes in endowment net assets for the years ended June 30, 2026 and 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2024	$ 392,836	$ 656,327	$ 1,049,163
Investment return, net	46,919	39,628	86,547
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	-	13,787	13,787
Appropriations	(32,436)	(142,564)	(175,000)
Balance at June 30, 2025	407,319	567,178	974,497
Investment return, net	57,451	48,647	106,098
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	-	12,973	12,973
Appropriations	(23,597)	-	(23,597)
Balance at June 30, 2026	$ 441,173	$ 628,798	$ 1,069,971

NOTE 13 – NET ASSETS

As of June 30, 2026 and 2025, the Organization's board of directors has designated $441,173 and $407,319, 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:

	2026	2025
Subject to expenditure for specified purpose or period:		
GED Scholarships	$ 41,720	$ 14,220
Opportunity Pathway Program	52,000	15,000
Computers	600	-
Other program costs	-	400
Future operations	20,000	40,000
Subject to the Organization's endowment appropriation:		
Operating support	628,798	567,178
Net assets with donor restrictions	$ 743,118	$ 636,798

NOTE 14 – FAIR VALUE MEASUREMENTS

The Organization reports certain assets at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset in the principal, or most advantageous, market in an orderly transaction between market participants on the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-level hierarchy categorizes the inputs as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Level 2 – inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical assets in markets that are not active inputs other than quoted prices that are observable for the asset.

Level 3 – unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

NOTE 14 – FAIR VALUE MEASUREMENTS (continued)

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset.

Investments in equity mutual funds and fixed income mutual funds are classified in Level 1 because they have a readily determinable fair value based on the closing value in actively traded exchanges. The Organization has no Level 2 investments.

The following table presents assets measured at fair value, at June 30, 2026:

		Fair Value Measurements at June 30, 2026		
	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 603,833	$ 603,833	$ -	$ -
Fixed income mutual funds	303,266	303,266	-	-
Beneficial interest in assets held by Greater Milwaukee Foundation	134,034	-	-	134,034
	$ 1,041,133	$ 907,099	$ -	$ 134,034

The following table presents assets measured at fair value, at June 30, 2025:

		Fair Value Measurements at June 30, 2025		
	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 535,387	$ 535,387	$ -	$ -
Fixed income mutual funds	270,425	270,425	-	-
Beneficial interest in assets held by Greater Milwaukee Foundation	121,061	-	-	121,061
	$ 926,873	$ 805,812	$ -	$ 121,061

NOTE 14 – FAIR VALUE MEASUREMENTS (continued)

Changes in the beneficial interest in assets held by Greater Milwaukee Foundation are as follows:

	2026	2025
Beginning balance	$ 121,061	$ 107,274
Change in value of beneficial interest in assets held by Greater Milwaukee Foundation	12,973	13,787
Ending balance	$ 134,034	$ 121,061

NOTE 15 – 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:

	2026	2025
Financial assets at year-end:		
Cash	$ 322,430	$ 443,307
Pledges receivable	288,721	304,516
Grants and contracts receivable	185,880	166,076
Investments	935,937	829,839
Beneficial interest in assets held by Greater Milwaukee Foundation	134,034	121,061
Cash surrender value of life insurance	-	23,597
Total financial assets	1,867,002	1,888,396
Less those unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(114,320)	(69,620)
Restricted by donors for endowment	(628,798)	(567,178)
Board designated for endowment	(441,173)	(407,319)
Financial assets available to meet cash needs for general expenditures within one year	$ 682,711	$ 844,279

As part of the Organization's liquidity management, it structures 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, 2026 and 2025, include $441,173 and $407,319, respectively, set aside for long-term purposes as a board-designated endowment; however, amounts could be made available if necessary with board approval.

NOTE 16 – CASH FLOW INFORMATION

Supplemental cash flow information is as follows:

	2026	2025
Cash paid for interest, net of capitalized interest	$ 140,663	$ 13,310
Noncash investing and financing transactions		
Right-of-use assets obtained in exchange for new finance lease liability	-	6,752
Right-of-use assets obtained in exchange for new operating lease liability	25,371	-
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
Construction payable converted to mortgage payable	108,127	-