LITERATIONS CORP.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2023 AND 2022

Smith Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS
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LITERATIONS CORP.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Literations
Empowering Young Readers

Mission Statement

Literations improves the literacy skills of young children through Grade 4 by engaging professionally trained older adult volunteers as literacy coaches in our partner schools and after-school programs. We serve communities where opportunity gaps exist to ensure all students have the resources to become literacy proficient.

www.literations.org

LITERATIONS CORP.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Literations Corp.
Boston, Massachusetts

Opinion

We have audited the accompanying financial statements of Literations Corp. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Literations Corps. as of June 30, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Literations Corp. 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 Literations Corp.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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.

To the Board of Directors
Literations Corp.

In performing an audit in accordance with generally accepted auditing standards, 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 Literations Corp.'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 Literations Corp.'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 audits.

Smith, Sullivan & Brown, PC.

Westborough, Massachusetts
January 22, 2024

LITERATIONS CORP.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash	$ 576,464	$ 399,775
Accounts Receivable, Program Services	157,961	33,500
Gifts, Grants and Contributions Receivable	160,398	90,907
Prepaid Expenses	7,514	3,471
Total Current Assets	902,337	527,653
NON-CURRENT ASSETS:		
Board Designated Reserves	139,408	108,472
Gifts, Grants and Contributions Receivable	-	23,000
Operating Right-of-Use Asset	46,220	-
Security Deposit	3,500	3,500
Total Non-Current Assets	189,128	134,972
TOTAL ASSETS	$ 1,091,465	$ 662,625

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	$ 21,622	$ 6,264
Accrued Payroll and Related Costs	44,981	43,165
Operating Lease Liability	44,032	-
Total Current Liabilities	110,635	49,429
LONG-TERM LIABILITIES:		
Operating Lease Liability, Net of Current Portion	2,188	-
Total Long-Term Liabilities	2,188	-
TOTAL LIABILITIES	112,823	49,429
NET ASSETS:		
Net Assets Without Donor Restrictions:		
Undesignated	486,234	408,724
Board Designated	139,408	108,472
Total Net Assets Without Donor Restrictions	625,642	517,196
Net Assets With Donor Restrictions:		
Program Restricted	303,000	46,000
Time Restricted	50,000	50,000
Total Net Assets With Donor Restrictions	353,000	96,000
Total Net Assets	978,642	613,196
TOTAL LIABILITIES AND NET ASSETS	$ 1,091,465	$ 662,625

LITERATIONS CORP.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	JUNE 30, 2023			JUNE 30, 2022		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT, REVENUES AND RECLASSIFICATIONS:						
Support and Revenues:						
Government Grants	$ 241,758	$ -	$ 241,758	$ 324,363	$ -	$ 324,363
Foundation and Corporate Grants	336,415	573,000	909,415	458,359	50,000	508,359
Gifts and Contributions	191,597	-	191,597	152,110	-	152,110
Participation Fees	216,375	-	216,375	152,500	-	152,500
Donated Goods, Services and Facilities	509,977	-	509,977	294,421	-	294,421
Special Event Proceeds	157,363	-	157,363	139,810	-	139,810
Less: Direct Event Costs	(14,178)	-	(14,178)	(14,620)	-	(14,620)
Other Income	3,322	-	3,322	287	-	287
Investment Income (Loss)	4,975	-	4,975	(3,575)	-	(3,575)
Reclassification of Net Assets - Released from Restriction:						
Satisfaction of Donor Restrictions	316,000	(316,000)	-	123,000	(123,000)	-
TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS	**1,963,604**	**257,000**	**2,220,604**	**1,626,655**	**(73,000)**	**1,553,655**
EXPENSES:						
Program Services	1,469,622	-	1,469,622	1,161,817	-	1,161,817
Administrative	284,845	-	284,845	202,979	-	202,979
Fund Raising	100,691	-	100,691	147,874	-	147,874
TOTAL EXPENSES	**1,855,158**	**-**	**1,855,158**	**1,512,670**	**-**	**1,512,670**
CHANGE IN NET ASSETS	**108,446**	**257,000**	**365,446**	**113,985**	**(73,000)**	**40,985**
NET ASSETS - BEGINNING OF YEAR	**517,196**	**96,000**	**613,196**	**403,211**	**169,000**	**572,211**
NET ASSETS - END OF YEAR	**$ 625,642**	**$ 353,000**	**$ 978,642**	**$ 517,196**	**$ 96,000**	**$ 613,196**

LITERATIONS CORP.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Comparative Totals for 2022)

	PROGRAM SERVICES	ADMINI-STRATIVE	FUND-RAISING	DIRECT DONOR BENEFITS	TOTAL FUNCTIONAL EXPENSES 2023	TOTAL FUNCTIONAL EXPENSES 2022
Salaries and Wages	$ 650,597	$ 89,149	$ 62,123	$ -	$ 801,869	$ 728,714
Payroll Taxes	59,594	9,209	4,986	-	73,789	66,277
Fringe Benefits	61,644	8,468	8,064	-	78,176	71,128
Staff Training and Development	659	1,942	-	-	2,601	7,504
Consultants and Professional Fees	2,800	65,541	6,834	-	75,175	55,808
Event Costs	6,066	530	3,987	14,178	24,761	23,395
Volunteer Incentives and Stipends	152,588	8,667	-	-	161,255	162,904
Volunteer Time, In-Kind	458,979	50,998	-	-	509,977	294,086
Program Supplies and Activities	14,499	-	-	-	14,499	4,576
Equipment Rental and Maintenance	-	2,437	-	-	2,437	8,851
General and Professional Liability Insurance	4,526	2,965	-	-	7,491	8,069
Occupancy	38,161	659	3,218	-	42,038	35,152
Office Supplies and Expenses	572	670	3,704	-	4,946	5,595
Recruitment	4,020	1,366	-	-	5,386	3,197
Information Technology Costs	1,190	14,178	-	-	15,368	14,469
Telephone and Communications	1,518	24,012	3,372	-	28,902	25,527
Staff Travel	9,062	2,172	892	-	12,126	2,780
Advertising	125	1,323	1,467	-	2,915	3,113
Bad Debt	-		1,950	-	1,950	-
Miscellaneous Expense	3,022	559	94	-	3,675	6,145
Total Functional Expenses	**1,469,622**	**284,845**	**100,691**	**14,178**	**1,869,336**	**1,527,290**
Less: Cost of Direct Benefits to Donors	-	-	-	(14,178)	(14,178)	(14,620)
Total Expenses per Statement of Activities	**$ 1,469,622**	**$ 284,845**	**$ 100,691**	**$ -**	**$ 1,855,158**	**$ 1,512,670**

LITERATIONS CORP.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES	ADMINI-STRATIVE	FUND-RAISING	DIRECT DONOR BENEFITS	TOTAL EXPENSES
Salaries and Wages	$ 521,465	$ 100,148	$ 107,101	$ -	$ 728,714
Payroll Taxes	48,222	8,325	9,730	-	66,277
Fringe Benefits	57,471	5,530	8,127	-	71,128
Staff Training and Development	5,596	1,087	821	-	7,504
Consultants and Professional Fees	21,160	30,999	3,649	-	55,808
Event Costs	8,738	15	22	14,620	23,395
Volunteer Incentives and Stipends	160,704	800	1,400	-	162,904
Volunteer Time, In-Kind	264,011	30,075	-	-	294,086
Program Supplies and Activities	4,075	23	478	-	4,576
Equipment Rental and Maintenance	5,896	1,635	1,320	-	8,851
General and Professional Liability Insurance	5,068	1,984	1,017	-	8,069
Occupancy	26,452	3,756	4,944	-	35,152
Office Supplies and Expenses	665	801	4,129	-	5,595
Recruitment	2,510	443	244	-	3,197
Information Technology Costs	5,393	8,556	520	-	14,469
Telephone and Communications	15,995	7,936	1,596	-	25,527
Staff Travel	2,635	88	57	-	2,780
Advertising	405	61	2,647	-	3,113
Miscellaneous Expense	5,356	717	72	-	6,145
Total Functional Expenses	**1,161,817**	**202,979**	**147,874**	**14,620**	**1,527,290**
Less: Cost of Direct Benefits to Donors	-	-	-	(14,620)	(14,620)
Total Expenses per Statement of Activities	**$ 1,161,817**	**$ 202,979**	**$ 147,874**	**$ -**	**$ 1,512,670**

LITERATIONS CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 365,446	$ 40,985
Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:		
Investment Return	(5,524)	3,431
(Increase) Decrease in Current Assets:		
Accounts Receivable, Program Services	(124,461)	34,266
Gifts, Grants and Contributions Receivable	(69,491)	(32,898)
Prepaid Expenses	(4,043)	3,513
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	15,358	(37,559)
Accrued Payroll and Related Costs	1,816	(33,936)
Operating Lease Liability	2,283	-
(Increase) Decrease in Non-Current Assets:		
Gifts, Grants and Contributions Receivable	23,000	23,000
Security Deposit	-	17,850
Operating Right-of-Use Asset	(42,910)	-
Increase (Decrease) in Long-Term Liabilities:		
Operating Lease Liability, Net of Current Portion	40,627	-
Net Adjustment	(163,345)	(22,333)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**202,101**	**18,652**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Board Designated Investments	(24,694)	(50,000)
Net Cash Flows from Investing Activities	(24,694)	(50,000)
NET INCREASE (DECREASE) IN CASH BALANCES	**177,407**	**(31,348)**
CASH BALANCES - BEGINNING OF YEAR	**461,678**	**493,026**
CASH BALANCES - END OF YEAR	**$ 639,085**	**$ 461,678**
Cash Balances:		
Cash	*$ 576,464*	*$ 399,775*
Board Designated Reserves	*62,621*	*61,903*
Total Cash Balances	*$ 639,085*	*$ 461,678*

LITERATIONS CORP.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION

Generations Incorporated was incorporated in March 1994, under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Effective June 17, 2021, the Organization's legal name was changed to Literations Corp. (the "Organization" or "Literations"). Literations is not classified as a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES AND AFFILIATIONS

Literations' mission is to drive educational equity through experienced community volunteers empowering young readers for lifelong learning. Literations is dedicated to improving the reading proficiency of young students in first through 4th grade in under-resourced communities using a proven literacy model and trained older adult volunteer coaches.

The Organization affiliates with a national program called AARP Foundation Experience Corps, whose mission is to create powerful opportunities for older adults to meet society's greatest challenge and a vision which focuses on older adults as integral parts of the education strategy of America.

The Organization's primary program is therefore its AARP Foundation Experience Corps Program, or Literacy Program.

- Literations collaborates with teachers and schools to provide structured support to young students (1st-4th grade) who can benefit from 1:1 reading practice. Adult trained volunteers are matched with students for twice weekly sessions throughout the school year to read and practice under the supervision of a caring coach and mentor.

Additionally, the Organization operates the following supplemental program:

- The *Active Aging Program* provides our AARP Foundation Experience Corps volunteers with meaningful activities, beyond their work with students, to enhance their physical, mental, and social well-being and connect them to the community.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of Literations have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles ("GAAP") and accordingly, reflect all significant receivables, payables and other liabilities.

Estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles, has in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

NOTE 3 *(Continued)*

Fair Value of Financial Instruments:

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Center has access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements are the recurring measurement of its investments.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. In addition, net assets within this classification include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. For the years presented, the Organization has no net assets that are required to be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

NOTE 3 *(Continued)*

Accounts Receivable, Program Services:

Accounts Receivable, Program Services represents amounts which are primarily due from government funded program service grants and school participation fees. On a periodic basis, Management evaluates receivables and when necessary, establishes an allowance for doubtful accounts, based on past collections and current credit conditions. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to the allowance for doubtful accounts. As of June 30, 2023 and 2022, all such receivables were considered collectible.

Gifts, Grants and Contributions Receivable:

Gifts, Grants and Contributions Receivable represent amounts due from individual and corporate donors as well as foundation grants and are reported at their net realizable value. Amounts scheduled for receipt within one year are reported as current, and amounts are reported as non-current when the expected date of receipt exceeds one year. Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material. Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management believes that these amounts are fully collectible, and therefore, no allowance for doubtful amounts has been established. For the years presented, the Organization reported no losses from uncollectible grants and pledges receivable.

Property and Equipment:

Literations records all property and equipment at cost, if purchased (exceeding $5,000), or if donated, at the fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation is computed using the straight-line method, and is charged against activities over the estimated useful lives of the assets, as expressed in terms of years.

Leases:

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the Statements of Financial Position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

As most of the leases do not provide an implicit rate, the Organization has elected to use a risk-free rate since the rate inherent in the lease is unknown. The Organization has also elected the practical expedient to not separate lease and non-lease components for its leases.

NOTE 3 *(Continued)*

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Board Designated Reserves:

Board Designated Reserves include cash held in savings and brokerage accounts, and funds invested in equity securities and fixed income bonds. Investment purchases are recorded at cost. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investments are classified as either short-term or long-term depending on the underlying intentions. As of June 30, 2023 and 2022, *Board Designated Reserves* are considered long-term and consisted of the following composition:

Composition	Fair Value Hierarchy	Fair Value 2023	Fair Value 2022
Cash	N/A	$ 87,831	$ 86,910
Equity Securities	Level 1	38,018	14,344
Bond Mutual Funds	Level 1	13,559	7,218
Total Board Designated Reserves		$139,408	$108,472

Literations uses the following ways to determine the fair value of its investments:

Equity Securities and Mutual Funds: traded on national securities exchanges and are determined by the published closing price on the last business day of the fiscal year.

Revenue Recognition:

Gifts, Grants and Contributions

The Organization is the beneficiary of contributions in the form of grants from other organizations, donations of cash and financial assets from individuals and contributions of nonfinancial assets. Contributions, including promises to give, without donor conditions are recognized as revenue at their estimated fair value at the date of donation and classified as either with or without donor restrictions depending on the donor's stipulations or lack thereof. Unconditional, multi-year commitments are recognized in the year during which the initial commitment is made at the amount that the organization reasonably expects to collect. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material. Amounts receivable from donors are evaluated yearly for collectability and an allowance for uncollectible pledges is recorded as necessary.

NOTE 3 *(Continued)*

Conditional donations are those that have a measurable performance or other barrier and include a right of return of the assets or right of release of the donor from further obligation if the conditions are not met. Conditional donations are not recognized until the associated barriers are met. Any cash received before the conditions or barriers are met is reported as a refundable advance. When the conditions are met the revenue is reported as contributions without restrictions unless there are further restrictions over and above those associated with the donor conditions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restrictions are met, at which time the net assets are reclassified to net assets without donor restrictions.

Special Event Proceeds

Special Event Proceeds is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Donations of Nonfinancial Assets

Contributed nonfinancial assets include donated professional services, mentors, donated goods, and other in-kind contributions which are recorded at the respective fair values of the goods and services received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Literations relies heavily upon volunteer involvement in operating its core program service. *(See Note 8)*

Cost-Reimbursement Agreements

A portion of the Organization's revenue is derived from cost-reimbursable grants through AmeriCorps and the Office of Juvenile Justice and Delinquency Prevention ("OJJDP"), which are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization invoices AmeriCorps and OJJDP after such expenses have been incurred and does not receive payment in advance of service delivery; accordingly, there is no obligation for conditional grant advances arising from these agreements in the accompanying financial statements. As of June 30, 2023 and 2022, the aggregate conditional remaining balance on these agreements amounted to $199,361 and $5,596, respectively.

Participation Fees

Literations receives participation fees for the delivery of literacy and tutoring programs which are recognized as services are delivered during the academic year which corresponds to the Organization's fiscal year. When applicable, deposits received in advance are recognized as *Deferred Revenue*, a contract liability, in the accompanying Statements of Financial Position.

NOTE 3 *(Continued)*

Functional Expenses:

The Organization allocates its expenses on a functional basis among various programs and support services. Expenses that are common to several functions are allocated using space and time usage formulas. In the accompanying Statement of Functional Expenses, *Salaries and Wages, Payroll Taxes, Fringe Benefits, Consultants and Professional Fees, Occupancy, General and Professional Liability Insurance, Office Supplies and Expenses* and *Telephone and Communications* are allocated based on estimates of time and effort. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Literations' internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

Cost of Direct Benefit to Donors - includes the direct costs of fundraising events.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made to the prior year financial statements have no impact on total net assets or changes in net assets.

Recent Accounting Guidance:

Recently Implemented Standards

During the year ended June 30, 2022, the Organization adopted ASU 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU increases transparency in reporting nonprofit gifts-in-kind in the Organization's financial statements. Although the standard did not change the accounting for contributed nonfinancial assets, the Organization's disclosures have been enhanced to provide qualitative policy information on the techniques and inputs used to determine the valuation of nonfinancial donations.

The Organization adopted ASC Update No. 2016-02, (Topic 842) *Leases* effective July 1, 2022, which establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. As part of the adoption of the standard, the Organization elected and applied the following practical expedients on the adoption date:

The package of practical expedients permitting the Organization to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

NOTE 3 *(Continued)*

Recently Issued Standards

ASC Update No. 2016-13, *Financial Instruments - Credit Losses,* broadens the information that an entity must consider in assessing the collectability of trade receivables. ASU 2016-13 also amends the disclosure requirements to reflect the change from an incurred loss methodology to an expected credit loss methodology. This accounting standard is effective for this Organization's fiscal year ending June 30, 2024 and is not expected to have a material effect on the financial statements.

NOTE 4 GIFTS, GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization has received various multi-year pledges to fund literacy programs. Included within *Gifts, Grants and Contributions Receivable* as of June 30, 2023 and 2022, Literations recorded unconditional promises to give due as follows:

	2023	2022
Receivable in Less Than One Year	$160,398	$ 90,907
Receivable in One to Five Years	-	23,000
Total Unconditional Promises to Give	$160,398	$113,907

NOTE 5 LINE-OF-CREDIT

The Organization has a $50,000 working capital line-of-credit. As of June 30, 2023 and 2022, outstanding borrowings are subject to interest at the annual rate of 8.25% and 4.75%, respectively. The line-of-credit was not used in the years presented and carried a zero balance as of June 30, 2023 and 2022. The line-of-credit is secured by all business assets of the Organization and, unless renewed, expires on April 6, 2024.

NOTE 6 RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

Board Designated Net Assets:

Board Designated Net Assets include net assets without donor restrictions designated by the Board of Directors to establish reserve funds more fully described in Note 12.

Net Assets With Donor Restrictions:

Net assets with donor restrictions consists of unexpended donor designated grants and contributions with the following restrictions as of June 30, 2023 and 2022:

Nature of Restriction	2023	2022
Literacy Program	$ 23,000	$46,000
Boston Tutoring Program	80,000	-
Time Restricted	250,000	50,000
Total	$353,000	$96,000

NOTE 6 *(Continued)*

Net assets released from restrictions by incurring expenses which satisfied the restricted purposes or by occurrence of events specified by the donors were as follows:

Nature of Restriction	2023	2022
Expiration of Time Restrictions	$ 65,000	$100,000
Literacy Program	203,000	23,000
Boston Tutoring Program	48,000	-
Total	$316,000	$123,000

NOTE 7 CONDITIONAL GRANTS

Literations received the following conditional grant commitments. As of June 30, 2023 and 2022, the aggregate remaining conditional balances were $270,000 and $240,000, respectively.

Cummings Foundation:

In FY 2017, Literations received a $50,000 sustaining grant from the Cummings Foundation (the "Foundation") which provides for up to nine annual renewals, conditional upon the sole discretion of the Foundation. During FY 2022 and FY 2023, Literations had received its fifth and sixth year of funding, with three remaining annual installments available under the grant as of June 30, 2023.

The Organization has a long-standing relationship with the Cummings Foundation and feels confident that they will continue to meet the conditions of this multi-year grant. The total conditional amount of this 10-year sustaining grant is $500,000. As of June 30, 2023, the Organization had received a total of $350,000 in annual installments of $50,000.

Arcadia Charitable Trust:

In FY 2022, Literations received a three-year $60,000 challenge grant for the expansion of its tutoring program to Framingham Public Schools. The grant is payable in three equal annual installments of $20,000 to be paid in 2022, 2023 and 2024 upon satisfaction of a 1:1 matching requirement. The matching funds are specifically required to be raised in support of the Framingham expansion program and within specified timelines. The first challenge period expired September 30, 2022, and Literations successfully met the match and received its initial year of funding in FY 2023. The second and third challenge periods expire annually on September 30, 2023 and 2024.

Satter Foundation:

In FY 2023, Literations received a $30,000 grant from the Satter Foundation which provides for two annual renewals, conditional upon the sole discretion of the Satter Foundation. During FY 2023, Literations received its first year of funding, with two remaining annual installments available under the grant as of June 30, 2023. The aggregate conditional amount of the commitment was $60,000. As the terms of the conditions had not been met, the support has not been recognized in the accompanying financial statements.

NOTE 8 DONATED GOODS, SERVICES AND FACILITIES

The following donated goods, services and facilities have been recognized as revenues with offsetting expenses in the accompanying financial statements:

	2023	2022
Experience Corps Volunteers	$509,977	$294,086
Materials and Supplies	-	335
Total In-Kind Donations	$509,977	$294,421

In-kind donations of volunteer time have been valued at $18 and $13 per hour for the years ended June 30, 2023 and 2022, respectively, which management considers to be a conservative estimate.

NOTE 9 EMPLOYEE BENEFIT PLAN

The Organization maintains a retirement plan qualified under IRC Section 403(b). No employer contributions were made for the years ended June 30, 2023 and 2022. All employees are eligible as long as they are employed by the Organization when the contribution is made.

NOTE 10 LEASE COMMITMENTS

Office Space:

Literations executed a sub-lease agreement for office space in Boston which commenced September 1, 2021 and expires June 29, 2024. The rent is fixed at $42,000 per year, and rent expense recognized for the years ended June 30, 2023 and 2022 amounted to $42,000 and $35,000, respectively. The accompanying financial statements include an operating right-of-use asset in the amount of $41,451 and an offsetting current operating lease liability at present value. Literations used a discount rate of 2.88% to approximate the remaining lease term at the implementation date. The right-of-use asset obtained in exchange for operating lease liabilities for the facility sub-lease was $81,727. As of June 30, 2023, the remaining undiscounted lease obligation is $42,000, due in FY 2024.

Copier Equipment:

Literations applied the lease accounting standards to its existing operating lease for copier equipment. At the implementation date of July 1, 2022, the remaining lease term was 34 months with fixed monthly payments of $220. The accompanying financial statements include and operating right-of-use asset in the amount of $4,769, which represents the value, with an offsetting operating lease liability, of which amount, $2,581 is classified as a current lease liability and $2,188 as the non-current portion. The annual lease expense is $2,644, which coincides with the cash payment. Literations used a discount rate of 1.88% to approximate the remaining lease term at the implementation date. The right-of-use asset obtained in exchange for operating lease liabilities for the copier equipment was $7,301. As of June 30, 2023, the remaining undiscounted lease obligation is $2,664 in FY 2024 and $2,203 in FY 2025.

NOTE 11 CONCENTRATIONS

Cash Balances:

Literations maintains its cash balances at one financial institution, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of June 30, 2023 and 2022, the Organization had deposits of $389,207 and $194,493 in excess of the $250,000 limit, respectively. Although at times the balance in these accounts may exceed the federally insured limit, the Organization has never experienced any losses on uninsured cash balances.

Gifts, Grants and Contributions Receivable:

Approximately 26% and 31% of *Gifts, Grants and Contributions Receivable* represent balances due from two donors as of June 30, 2023 and 2022, respectively.

Foundation and Corporate Grants Revenue:

For the years ended June 30, 2023, grants received from three foundations, represented 38% of total support and revenues.

NOTE 12 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts which are not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the Statements of Financial Position date or when restricted by donors or the Board of Directors for purposes more limited than general expenditures.

	2023	2022
Financial Assets:		
Cash	$ 576,464	$ 399,775
Accounts Receivable, Program Services	157,961	33,500
Gifts, Grants and Contributions Receivable	160,398	113,907
Board Designated Reserves	139,408	108,472
Total Financial Assets as of June 30	1,034,231	655,654
Less Amounts Not Available to be Used Within One Year:		
Board Designated Reserves	(139,408)	(108,472)
Grants Receivable After One Year	-	(23,000)
Financial Assets Available to Meet General Expenditures Within One Year	$ 894,823	$ 524,182

For the purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to their ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Literations currently has a $50,000 line-of-credit that can be drawn down to meet cash flow needs *(See Note 5).*

NOTE 12 *(Continued)*

The Organization manages its liquid assets with three main objectives - operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Financial staff forecast cash flow on a daily basis and accurately report on cash projections to the Board of Directors monthly.

The target minimum for the total of the operating reserve and the board designated fund is equal to three months of average operating costs; approximately $380,000. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

As of June 30, 2023 and 2022, the Organization had $190,408 and $158,508, respectively, in a board designated reserve account, board designated investment account and operating reserve account. Given the Organization's healthy cash position, the Finance Committee is currently evaluating shifting of additional funds to board designated and or operating reserves.

NOTE 13 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through January 22, 2024, the date which the financial statements were available for issue, and noted no events which met the criteria for recognition or disclosure.