

LITERACY, INC.

**Financial Statements
for year ended
June 30, 2023**

Independent Auditor's Report

To the Board of Directors
Literacy, Inc.

Opinion

We have audited the accompanying financial statements of Literacy, Inc. ("LINC"), which comprise the statement of financial position as of June 30, 2023 and June 30, 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 LINC as of June 30, 2023 and June 30, 2022 and the result of its activities 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. 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 LINC 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 LINC'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 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 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 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 LINC'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 LINC'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.

Cordun O'Meara McIntyre & Donnelly LLP

October 17, 2023

LITERACY, INC.

Statement of Financial Position

Assets

	June 30	
	2023	2022
Current assets		
Cash and cash equivalents	\$ 967,983	\$5,182,486
Investment in U.S. Treasury Obligations, at fair value	2,071,582	570,169
Contributions and grants receivable, net	3,189,644	1,910,725
Accounts receivable, net	168,746	88,197
Prepaid expenses	51,597	39,710
Total current assets	6,449,552	7,791,287
Contributions and grants receivable, net of current portion	75,000	300,000
Property and equipment, at cost, net	-	357
Security deposit	12,020	14,626
Total assets	<u>\$6,536,572</u>	<u>\$8,106,270</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 347,698	\$ 301,716
Agency funds	208,947	1,786,984
Total current liabilities	556,645	2,088,700
Net assets		
Without donor restrictions		
Undesignated	2,423,181	3,223,697
Board designated	1,000,000	-
Total without donor restrictions	3,423,181	3,223,697
With donor restrictions	2,556,746	2,793,873
Total net assets	5,979,927	6,017,570
Total liabilities and net assets	<u>\$6,536,572</u>	<u>\$8,106,270</u>

See notes to financial statements.

LITERACY, INC.

Statement of Activities

	Year Ended June 30					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Foundation and corporate contributions	\$ 3,746	\$ 1,925,000	\$ 1,928,746	\$ 287,204	\$ 2,146,000	\$ 2,433,204
Individual contributions	752,781	-	752,781	684,542	800,000	1,484,542
Governmental grants	1,639,888	-	1,639,888	1,462,572	-	1,462,572
Government grant – PPP	-	-	-	500,000	-	500,000
Special event (net of direct costs of \$140,855 in 2023 and \$121,698 in 2022)	677,548	-	677,548	607,588	-	607,588
Contributed nonfinancial assets	116,450	-	116,450	201,416	-	201,416
Employee retention credits	-	-	-	181,310	-	181,310
Other revenue	95,640	-	95,640	(1,614)	-	(1,614)
Net assets released from restrictions	2,162,127	(2,162,127)	-	1,604,838	(1,604,838)	-
Total support and revenue	5,448,180	(237,127)	5,211,053	5,527,856	1,341,162	6,869,018
Expenses						
Program services	4,244,973	-	4,244,973	3,827,145	-	3,827,145
Supporting activities						
Management and general	430,171	-	430,171	339,775	-	339,775
Fundraising	573,552	-	573,552	495,017	-	495,017
Total supporting activities	1,003,723	-	1,003,723	834,792	-	834,792
Total expenses	5,248,696	-	5,248,696	4,661,937	-	4,661,937
Increase (decrease) in net assets	199,484	(237,127)	(37,643)	865,919	1,341,162	2,207,081
Net assets, beginning of year	3,223,697	2,793,873	6,017,570	2,357,778	1,452,711	3,810,489
Net assets, end of year	\$ 3,423,181	\$ 2,556,746	\$ 5,979,927	\$ 3,223,697	\$ 2,793,873	\$ 6,017,570

See notes to financial statements.

LITERACY, INC.
Statement of Functional Expenses
Year Ended June 30, 2023
(with Summarized Comparative Financial Information
for the Year Ended June 30, 2022)

	<u>2023</u>				<u>2022</u>
	<u>Supporting Activities</u>				
	<u>Management</u>				
	<u>Program</u>	<u>and</u>	<u>Fund-</u>	<u>Total</u>	<u>Total</u>
	<u>Services</u>	<u>General</u>	<u>Raising</u>		
Salaries	\$ 2,672,012	\$ 253,253	\$ 296,179	\$3,221,444	\$ 2,913,314
Payroll taxes and benefits	460,428	43,640	51,036	555,104	503,136
Consultants fee	370,499	56,621	91,763	518,883	160,946
Professional fees	322,686	54,623	-	377,309	351,725
Program expenses	144,699	-	-	144,699	294,496
Office supplies	7,189	681	797	8,667	14,869
Staff development and training	16,654	1,578	1,846	20,078	39,422
Occupancy	81,710	7,745	9,057	98,512	87,411
Telephone and internet	4,910	465	544	5,919	5,980
Computer technology	11,173	1,059	1,238	13,470	-
Printing and publications	5,955	564	660	7,179	19,298
Depreciation	296	28	33	357	715
Insurance	14,918	158	2,898	17,974	14,718
Payroll service	7,501	711	832	9,044	3,807
Dues and subscriptions	37,827	3,585	4,193	45,605	20,038
Miscellaneous	57,598	5,460	24,944	88,002	30,646
Special events	-	-	140,855	140,855	121,698
Sub-total of expenses by function without contributed nonfinancial assets	4,216,055	430,171	626,875	5,273,101	4,582,219
Less: direct costs of special events net with revenue on the statement of activities	-	-	140,855	140,855	121,698
Sub-total without contributed nonfinancial assets	4,216,055	430,171	486,020	5,132,246	4,460,521
Contributed professional services	5,270	-	47,432	52,702	146,705
Contributed program event support	-	-	40,100	40,100	33,330
Contributed office space	-	-	-	-	1,274
Contributed books and materials	23,648	-	-	23,648	20,107
Sub-total contributed nonfinancial assets	28,918	-	87,532	116,450	201,416
Total	\$ 4,244,973	\$ 430,171	\$ 573,552	\$5,248,696	\$ 4,661,937

See notes to financial statements.

LITERACY, INC.
Statement of Functional Expenses
Year Ended June 30, 2022

		<u>Supporting Activities</u>		
	<u>Program</u>	<u>Management</u>	<u>Fund-</u>	
	<u>Services</u>	<u>and</u>	<u>Raising</u>	<u>Total</u>
		<u>General</u>		
Salaries	\$ 2,408,450	\$ 209,141	\$ 295,723	\$2,913,314
Payroll taxes and benefits	415,943	36,121	51,072	503,136
Consultants fee	59,067	25,590	76,289	160,946
Professional fees	297,559	46,779	7,387	351,725
Program expenses	290,962	1,973	1,561	294,496
Office supplies	12,191	1,059	1,619	14,869
Staff development and training	32,601	2,838	3,983	39,422
Occupancy	73,317	5,091	9,003	87,411
Telephone and internet	4,943	430	607	5,980
Printing and publications	15,723	1,365	2,210	19,298
Depreciation	591	51	73	715
Insurance	12,168	1,056	1,494	14,718
Payroll service	-	3,807	-	3,807
Dues and subscriptions	16,566	1,438	2,034	20,038
Miscellaneous	20,252	1,762	8,632	30,646
Special events	-	-	121,698	121,698
Sub-total of expenses by function without contributed nonfinancial assets	3,660,333	338,501	583,385	4,582,219
Less: direct costs of special events net with revenue on the statement of activities	-	-	121,698	121,698
Sub-total without contributed nonfinancial assets	3,660,333	338,501	461,687	4,460,521
Contributed professional services	146,705	-	-	146,705
Contributed program event support	-	-	33,330	33,330
Contributed office space	-	1,274	-	1,274
Contributed books and materials	20,107	-	-	20,107
Sub-total contributed nonfinancial assets	166,812	1,274	33,330	201,416
Total	\$ 3,827,145	\$ 339,775	\$ 495,017	\$4,661,937

See notes to financial statements.

LITERACY, INC.

Statement of Cash Flows

	Year Ended June 30	
	2023	2022
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (37,643)	\$2,207,081
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	357	715
Forgiveness of PPP loan	-	(500,000)
Donated stock received	(42,586)	(39,388)
Sale of donated stock	42,586	39,388
(Increase) decrease in assets		
Contributions and grants receivable, net	(1,053,919)	(1,357,251)
Accounts receivable, net	(80,549)	(63,289)
Prepaid expenses	(11,887)	(11,164)
Security deposit	2,606	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	45,982	90,091
Agency funds	(1,578,037)	1,713,768
Net cash provided by (used in) operating activities	(2,713,090)	2,079,951
Cash flows from investing activities		
Proceeds from sales and maturities of investments	1,460,000	900,000
Purchases of investments	(2,961,413)	(870,276)
Net cash provided by (used in) investing activities	(1,501,413)	29,724
Net increase (decrease) in cash and cash equivalents	(4,214,503)	2,109,675
Cash and cash equivalents, beginning of year	5,182,486	3,072,811
Cash and cash equivalents, end of year	\$ 967,983	\$5,182,486

See notes to financial statements.

LITERACY, INC.

Notes to Financial Statements June 30, 2023

Note 1 – Nature of organization

Literacy, Inc. (“LINC”) harnesses the power that exists in every community to make literacy a value and right of all children. Our children’s educational success is the path out of poverty and the key to achievement. LINC’s mission is to engage families and community members to support young readers in high need neighborhoods.

Note 2 – Summary of significant accounting policies

Financial reporting

The following is a summary of LINC’s net assets:

- Without donor restrictions

Net assets without donor restrictions consist of amounts that can be spent at the discretion of LINC.

During March 2023, the Board of Directors approved the establishment of a board designated fund which was funded by a \$1,000,000 transfer from undesignated without donor restricted funds. The purpose of this fund is to enable LINC to undertake projects not otherwise supported by LINC’s regular fundraising and other revenue-generating activities, support established program priorities, support capital expenditures, help offset operating deficits or unbudgeted expenditures, and support other programs, activities and operations.

- With donor restrictions

- Temporary donor restrictions

Net assets with temporary donor restrictions consist of contributions that are restricted by the donor for a specific project or purpose or relate to future periods.

- Perpetual donor restrictions

Net assets with perpetual donor restrictions are subject to donor imposed restrictions requiring that they be maintained in perpetuity. LINC did not have any net assets with perpetual donor restrictions as of June 30, 2023 and June 30, 2022.

Contributions

LINC records contributions as revenue without donor restrictions unless the donor stipulates a time or limits the use of the donated assets.

Contributions received with donor stipulations that limit the use of the donated assets are reported as support with perpetual or temporary donor restrictions. When a donor stipulation regarding a contribution with temporary donor restriction expires – that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished – net assets with temporary donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of investments are recorded at fair value on the date of the gift.

LITERACY, INC.**Notes to Financial Statements (continued)**
June 30, 2023**Note 2 – Summary of significant accounting policies (continued)****Revenue recognition**

LINC receives grants from government agencies in exchange for the performance of various services. LINC recognizes government grant revenue as expenses are incurred to a maximum of the grant award.

Funding contracts are often subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if an audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying financial statements.

Cash equivalents

LINC considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. Included in cash equivalents are money market funds.

Investments

Investments are recorded at fair value based on publicly quoted market prices.

Fair value measurements

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three levels. LINC's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Property and equipment

Acquisitions of property and equipment in excess of \$1,000 and with an estimated useful life of longer than a year are capitalized and recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

Agency funds

LINC received funds from other organizations that require LINC to act as an agent and to spend the funds in accordance with the other organization's requirements. These funds are recorded as a liability on the statement of financial position until the funds are spent.

LITERACY, INC.**Notes to Financial Statements (continued)**
June 30, 2023**Note 2 – Summary of significant accounting policies (continued)**Functional expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Natural expenses attributable to more than one functional expense category are allocated using a cost allocation techniques primarily consisting of salary and wages and time and effort reporting.

Contributed nonfinancial assets

During the 2023 and 2022 fiscal years, LINC received professional services, program event support and contributions of books and materials. These goods and services were used in LINC's programs and supporting activities and would have had to be purchased by LINC if they had not been donated. The goods and services, totaling \$116,450 in 2023 and \$201,416 in 2022, were recorded at the fair value based on what it would have cost LINC to purchase them independently and recognizes contributed nonfinancial assets within support and revenue in the statement of activities. Unless otherwise noted, the contributed nonfinancial assets do not have donor-imposed restrictions.

Concentrations of credit risk

LINC's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and contributions, grants and accounts receivable. LINC places its cash and cash equivalents with what it believes to be quality financial institutions. LINC invests in U.S. Treasury Bills. LINC's contributions, grants and accounts receivable consist principally of amounts due from foundations, corporations and government sources. LINC believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and contributions, grants and accounts receivable.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Subsequent events

LINC has evaluated events and transactions for potential recognition or disclosure through October 17, 2023, which is the date the financial statements were available to be issued.

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2023**Note 2 – Summary of significant accounting policies (continued)**New accounting pronouncement

Effective January 1, 2022, FASB ASU No. 2016-02, *Leases* Topic 842 (“ASC 842”) became effective. ASC 842 requires a lessee to recognize a right-of-use (“ROU”) asset, which represents the right to control the use of an asset for the lease term and a lease liability on the statement of financial position. LINC has elected not to record leases with a term of 12 months or less on the statement of financial position.

Note 3 – Liquidity and availability of financial assets

LINC’s working capital and cash flows have seasonal variations during the year attributable to cash receipts from contributions, government grants, special events and other items.

The following is a summary of LINC’s financial assets as of June 30, 2023 and June 30, 2022 that are available for general use within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 967,983	\$ 5,182,486
Investment in U.S. Treasury Obligations, at fair value	2,071,582	570,169
Contributions and grants receivable expected to be collected in one year, net	3,189,644	1,910,725
Accounts receivable, net	<u>168,746</u>	<u>88,197</u>
Sub-total	6,397,955	7,751,577
Less: Board designated fund	<u>(1,000,000)</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 5,397,955</u>	<u>\$ 7,751,577</u>

The Board designated fund noted above could be used for purposes described in note 2 if approved by the Executive Committee of the Board of Directors.

In addition, LINC also has a \$200,000 line of credit (see note 11) that can be utilized during the fiscal year if necessary.

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2023**Note 4 – Contributions, grants and accounts receivable**

Contributions, grants and accounts receivable consist of the following as of June 30, 2023 and June 30, 2022 and are due as follows:

	<u>2023</u>	<u>2022</u>
Foundations and corporations	\$1,714,400	\$ 639,800
City of New York	1,439,021	1,411,275
State of New York	80,000	85,500
Event	31,223	74,150
Fees for services	<u>168,746</u>	<u>88,197</u>
Sub-total	<u>3,433,390</u>	<u>2,298,922</u>
Due within one year	3,358,390	1,998,922
Due within two years	<u>75,000</u>	<u>300,000</u>
Total	<u>\$3,433,390</u>	<u>\$2,298,922</u>

Note 5 – Property and equipment, net

A summary of property and equipment and related accumulated depreciation as of June 30, 2023 and June 30, 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Office furniture and equipment	\$ 13,631	\$ 13,631
Program equipment	<u>10,750</u>	<u>10,750</u>
Sub-total	24,381	24,381
Less: accumulated depreciation	<u>24,381</u>	<u>24,024</u>
Net property and equipment	<u>\$ -</u>	<u>\$ 357</u>

Note 6 – Paycheck Protection Program loans payable

During the 2021 fiscal year, LINC applied for and received \$500,000 under the Paycheck Protection Program (“PPP”) which was a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. LINC had elected to record the proceeds as a liability until the loan was, in part or wholly, forgiven and LINC was legally released. LINC received loan forgiveness in its entirety during February 2022 and the forgiveness is reflected as a government grant in the 2022 statement of activities.

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2023

Note 7 – Employee retention credits

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act and subsequent legislation (the “Acts”) were signed into law to provide, among other things, refundable employee retention credits for qualified employees for wages paid or incurred from March 13, 2020 through September 30, 2021. In connection therewith, such credits for the year ended June 30, 2022 totaled \$181,310 and are recorded as revenue in the 2022 statement of activities. Subsequent to the fiscal year end, LINC received additional credits, which totaled \$758,481. These credits will be recorded as revenue in the June 30, 2024 statement of activities.

Note 8 – Net assets without donor restrictions

The following is a summary of the activity of the net assets without donor restrictions for the year ended June 30, 2023:

	<u>Undesignated</u>	<u>Board designated</u>	<u>Total</u>
Balance, June 30, 2022	\$ 3,223,697	\$ -	\$3,223,697
Increase in net assets	199,484	-	199,484
Interfund transfer	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>
Balance, June 30, 2023	<u>\$ 2,423,181</u>	<u>\$1,000,000</u>	<u>\$3,423,181</u>

Note 9 – Net assets with temporary donor restrictions

The following is a summary of the activity of the net assets with temporary donor restrictions for the years ended June 30, 2023 and June 30, 2022:

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2022</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2023</u>
Mimi Levin Lieber Award	\$ 6,746	\$ -	\$ -	\$ 6,746
Literacy support/timing	<u>2,787,127</u>	<u>1,925,000</u>	<u>(2,162,127)</u>	<u>2,550,000</u>
Total	<u>\$ 2,793,873</u>	<u>\$ 1,925,000</u>	<u>\$ (2,162,127)</u>	<u>\$ 2,556,746</u>

<u>Temporary Program/Purpose</u>	<u>Balance, June 30, 2021</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2022</u>
Mimi Levin Lieber Award	\$ 6,746	\$ -	\$ -	\$ 6,746
Literacy support/timing	<u>1,445,965</u>	<u>2,946,000</u>	<u>(1,604,838)</u>	<u>2,787,127</u>
Total	<u>\$ 1,452,711</u>	<u>\$ 2,946,000</u>	<u>\$ (1,604,838)</u>	<u>\$ 2,793,873</u>

LITERACY, INC.

Notes to Financial Statements (continued)
June 30, 2023

Note 10 – Mimi Levin Lieber Award

In connection with its 10th Anniversary Gala, LINC established and solicited donations for the Mimi Levin Lieber Award fund. Additional contributions to the fund were made in subsequent years. The contributions are to be used to provide cash awards to community partners in recognition of their efforts in support of early literacy. The awards are named in honor of LINC's Founder, Mimi Levin Lieber. The contributions are recorded as net assets with temporary donor restrictions, and the interest earned on such funds is without donor restrictions.

Note 11 – Line of credit

LINC has available a \$200,000 revolving line of credit which is up for renewal annually. Any borrowings on the line of credit require interest at the bank's prime rate plus 2.0%. As of June 30, 2023 the interest rate was 10.25%. The line of credit is secured by certain of LINC's personal property, as outlined in the agreement. As of June 30, 2023, there were no outstanding borrowings.

Note 12 – Office lease agreements

LINC leases office space under two lease agreements. In addition to the monthly rent payments totaling \$6,010, LINC is also charged for electricity, storage and use of a conference room. In connection with the lease agreements as of June 30, 2023 and June 30, 2022, LINC has paid security deposits totaling \$12,020 and \$14,626, respectively. Occupancy expense for the years ended June 30, 2023 and June 30, 2022 was \$98,512 and \$87,411, respectively. These leases expired on September 30, 2023. As of June 30, 2023, the remaining balance on the lease is \$18,030.

In August 2023, LINC extended their office space lease agreements. Commencing October 1, 2023, the leases require a monthly payment of \$7,063. The leases expire at various dates through September 30, 2025. In connection with the lease agreements, LINC has paid security deposits totaling \$14,126.

The following is a summary of the future rent payments due under the new lease agreements:

<u>Fiscal year</u>	<u>Amount</u>
2024	\$ 57,699
2025	41,100
2026	<u>10,350</u>
Total	<u>\$ 109,149</u>

LITERACY, INC.**Notes to Financial Statements (continued)**
June 30, 2023**Note 13 – Retirement plan**

LINC maintains a tax-deferred annuity plan (the “Plan”) for all eligible employees. Employees can make voluntary contributions to the Plan in accordance with Internal Revenue Code regulations. LINC makes discretionary contributions to the Plan up to 2% of employee compensation. The Plan expense for the years ended June 30, 2023 and June 30, 2022 was \$61,129 and \$42,175, respectively.

Note 14 – Tax status

LINC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, LINC has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1) of the Code and qualifies for the maximum charitable deduction for donors.