

**WASHTENAW LITERACY**  
**FINANCIAL STATEMENTS**  
**For the Years Ended**  
**June 30, 2025 and 2024**

**WASHTENAW LITERACY**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Washtenaw Literacy

### **Opinion**

We have audited the accompanying financial statements of Washtenaw Literacy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024 and the related statements of activities and changes in net assets, 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 Washtenaw Literacy, as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Washtenaw Literacy 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 Washtenaw Literacy'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 auditors' 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.

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 Washtenaw Literacy'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 Washtenaw Literacy'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.

*Polk and Associates, PLC*  
**POLK AND ASSOCIATES, P.L.C.**

October 20, 2025

**WASHTENAW LITERACY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2025 AND 2024**

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 375,105	\$ 270,803
Contributions receivable, net of allowance	25,896	14,009
Accounts receivable	14,111	39,228
Prepaid expenses and other	6,528	22,348
<b>TOTAL CURRENT ASSETS</b>	<b>421,640</b>	<b>346,388</b>
<b>PROPERTY AND EQUIPMENT - NET</b>	<b>16,584</b>	<b>14,781</b>
<b>OTHER ASSETS</b>		
Contributions receivable-long-term, net of current portion	5,000	7,500
Beneficial interest in assets held by a community foundation	153,095	144,305
<b>TOTAL OTHER ASSETS</b>	<b>158,095</b>	<b>151,805</b>
<b>TOTAL ASSETS</b>	<b>\$ 596,319</b>	<b>\$ 512,974</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,666	\$ 7,729
<b>TOTAL CURRENT LIABILITIES</b>	<b>18,666</b>	<b>7,729</b>
 <b>NET ASSETS</b>		
Without donor restrictions-undesignated	424,558	360,940
With donor restrictions - perpetual in nature	153,095	144,305
<b>TOTAL NET ASSETS</b>	<b>577,653</b>	<b>505,245</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 596,319</b>	<b>\$ 512,974</b>

The accompanying notes are an integral part of these financial statements.

**WASHTENAW LITERACY**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>			<u>2024</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND INVESTMENT INCOME</b>						
<b>SUPPORT</b>						
Grants	\$ 351,821	\$ -	\$ 351,821	\$ 253,049	\$ -	\$ 253,049
Donations	149,611	25	149,636	208,626	275	208,901
Events	7,997	-	7,997	7,651	-	7,651
Program fees	4,500	-	4,500	6,131	-	6,131
Service contracts	59,590	-	59,590	58,318	-	58,318
Miscellaneous income	666	-	666	966	-	966
<b>TOTAL SUPPORT</b>	<b>574,185</b>	<b>25</b>	<b>574,210</b>	<b>534,741</b>	<b>275</b>	<b>535,016</b>
<b>INVESTMENT INCOME</b>						
Interest and dividend income	12,803	2,495	15,298	6,971	2,413	9,384
Realized gain on investments	-	9,175	9,175	7,763	2,449	10,212
Unrealized gain on investments	-	5,756	5,756	-	14,588	14,588
<b>TOTAL INVESTMENT INCOME</b>	<b>12,803</b>	<b>17,426</b>	<b>30,229</b>	<b>14,734</b>	<b>19,450</b>	<b>34,184</b>
<b>TOTAL SUPPORT AND INVESTMENT INCOME</b>	<b>586,988</b>	<b>17,451</b>	<b>604,439</b>	<b>549,475</b>	<b>19,725</b>	<b>569,200</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>5,597</b>	<b>(5,597)</b>	<b>-</b>	<b>5,240</b>	<b>(5,240)</b>	<b>-</b>
<b>TOTAL</b>	<b>592,585</b>	<b>11,854</b>	<b>604,439</b>	<b>554,715</b>	<b>14,485</b>	<b>569,200</b>
<b>EXPENSES</b>						
Program services	370,089	-	370,089	289,213	-	289,213
Supporting services:						
Management and general	62,771	3,064	65,835	66,333	2,757	69,090
Fundraising	96,107	-	96,107	104,556	-	104,556
Total supporting services	158,878	3,064	161,942	170,889	2,757	173,646
<b>TOTAL EXPENSES</b>	<b>528,967</b>	<b>3,064</b>	<b>532,031</b>	<b>460,102</b>	<b>2,757</b>	<b>462,859</b>
<b>INCREASE IN NET ASSETS</b>	<b>63,618</b>	<b>8,790</b>	<b>72,408</b>	<b>94,613</b>	<b>11,728</b>	<b>106,341</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>360,940</b>	<b>144,305</b>	<b>505,245</b>	<b>266,327</b>	<b>132,577</b>	<b>398,904</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 424,558</b>	<b>\$ 153,095</b>	<b>\$ 577,653</b>	<b>\$ 360,940</b>	<b>\$ 144,305</b>	<b>\$ 505,245</b>

The accompanying notes are an integral part of these financial statements.

**WASHTENAW LITERACY  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	2025				2024			
	Total	Supporting Services		Total Expense	Total Program Services	Supporting Services		Total Expense
	Program Services	Management and General	Fundraising			Management and General	Fundraising	
Salaries and wages	\$ 216,020	\$ 33,295	\$ 54,220	\$ 303,535	\$ 199,909	\$ 29,564	\$ 48,366	\$ 277,839
Employee fringe benefits and payroll taxes	39,175	3,544	5,432	48,151	37,421	6,115	5,545	49,081
 Total salaries and related expenses	 255,195	 36,839	 59,652	 351,686	 237,330	 35,679	 53,911	 326,920
Travel	2,314	-	355	2,669	51	-	190	241
Insurance	1,513	2,004	216	3,733	-	3,603	-	3,603
Telephone	2,855	1,184	710	4,749	2,809	1,194	702	4,705
Repairs and maintenance	14,804	4,235	4,396	23,435	11,113	2,532	4,118	17,763
Postage and office supplies	2,210	700	8,638	11,548	1,997	213	8,343	10,553
Training	1,533	720	630	2,883	503	668	-	1,171
Marketing and advertising	1,219	-	3,288	4,507	-	-	562	562
Education materials	1,227	-	-	1,227	2,028	-	-	2,028
Bad debt expense (recovery)	-	-	(980)	(980)	-	-	7,317	7,317
Bank and credit card fees	83	92	3,571	3,746	-	271	5,619	5,890
Print and graphic	-	-	-	-	-	-	2,866	2,866
Subcontract labor	74,340	4,175	8,121	86,636	24,084	9,092	3,040	36,216
Professional fees	-	15,796	-	15,796	5,020	14,854	-	19,874
Event expenses	204	-	7,510	7,714	-	-	17,888	17,888
Conferences and meetings	6,839	-	-	6,839	1,230	-	-	1,230
Meals and entertainment	1,954	-	-	1,954	965	252	-	1,217
Other expenses	-	90	-	90	-	-	-	-
Depreciation	3,799	-	-	3,799	2,083	732	-	2,815
 <b>TOTAL FUNCTIONAL EXPENSES</b>	 <b>\$ 370,089</b>	 <b>\$ 65,835</b>	 <b>\$ 96,107</b>	 <b>\$ 532,031</b>	 <b>\$ 289,213</b>	 <b>\$ 69,090</b>	 <b>\$ 104,556</b>	 <b>\$ 462,859</b>

The Organization's operations are dependent upon volunteer tutors and mentors who donate their time. The Organization received services from 411 and 388 tutors and mentors, respectively, who donated a total of 50,918 and 48,711 hours, respectively, for the years ended June 30, 2025 and 2024. Management estimates the total value from the services of volunteer tutors and mentors during the years ended June 30, 2025 and 2024 was approximately \$1,771,437 and \$1,631,331, respectively.

The accompanying notes are an integral part of these financial statements.

**WASHTENAW LITERACY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets from operating activities	\$ 72,408	\$ 106,341
Adjustments to reconcile change in net assets from operating activities to net cash provided by operating activities		
Allowance for doubtful accounts	(980)	917
Depreciation	3,799	2,815
Realized gain on investments	(9,175)	(10,212)
Unrealized gain on investments	(5,756)	(14,588)
Changes in operating assets and liabilities		
Contributions receivable, net of allowance	(8,407)	(4,173)
Accounts receivable	25,117	(4,851)
Prepaid expenses and other	15,820	(3,523)
Accounts payable	10,937	3,748
Unearned income	-	(8,333)
Payroll withholdings payable	-	(200)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>103,763</b>	<b>67,941</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(5,602)	(3,263)
Net sale of investments	6,141	92,140
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>539</b>	<b>88,877</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>104,302</b>	<b>156,818</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>270,803</b>	<b>113,985</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 375,105</b>	<b>\$ 270,803</b>

The accompanying notes are an integral part of these financial statements.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**1. ORGANIZATION AND PURPOSE**

Nature of Organization and Operations

Washtenaw Literacy (the "Organization") whose administrative offices are located in Ypsilanti, Michigan, provides training for volunteer tutors to teach illiterate adults in Washtenaw County, Michigan.

Program Services

The Organization provides recruitment, training, placement and support of adult non-readers and volunteer tutors. The majority of services are performed by volunteers.

Supporting Services

Management and general supporting services encompass all activities necessary for overall planning, direction and management of the Organization. Also included are all other activities not clearly associated with any other category, excluding fundraising. Fundraising includes activities necessary to generate financial support for the Organization's programs.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for financial statements of not-for-profit organizations.

Cash and Cash Equivalents and Concentration of Credit Risk

The Organization considers as cash equivalents all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash balances at financial institutions and at times the balances may exceed the coverage limit of the Federal Deposit Insurance Corporation (FDIC). At June 30, 2025 and 2024, the Organization had no cash balances held at a financial institution that was in excess of FDIC insured amounts.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

The Organization recognizes contributions when cash, other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization recognizes revenue from ticket sales at the time of admission to the event.

The Organization recognizes revenue from grants and contracts for workshops and classes during the year in which the related services are provided to participants. The performance obligation of delivering educational services is simultaneously received and consumed by the participants; therefore, revenue is recognized ratably over the course of the year, which coincides with the Organization's fiscal year. Amounts received in advance under these grants and contracts are deferred and recognized in the applicable period when the related services are performed.

The Organization recognizes revenue from various service contracts with local government and other not-for-profit organizations. These contracts are for tutoring services provided during the contract period. The performance obligation of delivering these contracted services is consumed by the organizations throughout the contract period; therefore, the revenue is recognized ratably over the period of the contract. All amounts received prior to the commencement of the contract period are deferred to the applicable period.

Contributions Receivable and Allowance for Doubtful Accounts

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions which have donor restrictions expiring in the current year are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When the 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 restrictions. Conditional promises to give are not included as support until the conditions are met.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions Receivable and Allowance for Doubtful Accounts (Continued)

An allowance for doubtful accounts is established based on historical loss experience. Management reviews the accounts, pledges and grants receivable on an annual basis to determine if any receivables will potentially be uncollectible. Any amount of the receivables balance that management determines to be uncollectible is charged against the allowance for doubtful accounts. At June 30, 2025 and 2024, the allowance for doubtful accounts was \$525 and \$1,505, respectively.

At June 30, 2025 and 2024, the Organization has unconditional contributions receivable as follows:

	<u>2025</u>	<u>2024</u>
Contributions receivable	31,421	\$ 23,014
Allowance for doubtful accounts	<u>(525)</u>	<u>(1,505)</u>
Contributions Receivable - net	<u>\$ 30,896</u>	<u>\$ 21,509</u>

The maturity of contributions receivable as on June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 25,896	\$ 14,009
Due within one to five years	<u>5,000</u>	<u>7,500</u>
Contributions Receivable	<u>\$ 30,896</u>	<u>\$ 21,509</u>

Accounts Receivable

Accounts receivable are from contracts with various governmental agencies to provide tutoring services, which are recorded as estimated realizable value, net of allowance for doubtful accounts. The Organization evaluates credit losses for service contracts based on historical data. The expected credit losses were considered immaterial to the financial statements, and thus, no allowance was recorded at June 30, 2025 and June 30, 2024. At June 30, 2025 and 2024, management has determined that all accounts receivable are collectible.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and includes expenditures for additions and major improvements. Repairs are charged to expenses as incurred. Donated furniture and equipment are recorded at fair value as of the date of donation. Assets which are retired or otherwise disposed of are eliminated from the accounts and the resulting gains or losses are reflected in operations concurrently. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from five to fifteen years.

Service Contracts

The Organization has service contracts with various governmental agencies to provide tutoring services. Support received under these contracts are recognized as support in the statement of activities as services are provided under the contracts. Receivables for service contracts at June 30, 2025 and June 30, 2024 were \$14,111 and \$26,939, respectively. Receivables for service contracts at July 1, 2023 totaled \$32,877. Support received in excess of services provided is included in current liabilities in the statements of financial position. At June 30, 2025 and 2024, there were no outstanding service contracts. During the year ended June 30, 2024, the Organization recognized \$8,333 of revenue that was included in the contract liability balance at July 1, 2023.

Donated Services and Facilities

The Organization's operations are dependent upon volunteer tutors and mentors who donate their time. The Organization received services from 411 and 388 tutors and mentors, respectively, who donated a total of 50,918 and 48,711 hours, respectively, for the years ended June 30, 2025 and 2024. Management estimates the total value from the services of volunteer tutors and mentors during the year ended June 30, 2025 and 2024 was approximately \$1,771,437 and \$1,631,331, respectively.

The Organization also provided office space and tutoring sites free of charge from the Ypsilanti District Library, Washtenaw Community College, and others. The management estimates the value of rent and utility for the years ended June 30, 2025 and 2024 was approximately \$4,800 each year.

No amounts have been recognized in the accompanying statements of activities and change in net assets for these services, facilities, material and support, as they do not meet the criteria for recognition.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Concentrations

During the years ended June 30, 2025 and 2024, the Organization had two contributors that accounted for 31% and 32%, respectively, of its total donations/grants. These contributors did not have any pledges receivable at June 2025 and 2024.

Tax-Exempt Status

The Organization is a Michigan not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

Net Assets

Net assets of the Organization are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. This class also includes assets previously restricted where restrictions have expired or been met.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2025 and 2024, the Organization had \$153,095 and \$144,305, respectively, in net assets with donor restrictions. The following are the types of net assets with donor restrictions:

*Time restricted for future periods:* Net assets subject to "donor-imposed" restrictions that may or will be met by actions of the Organization and/or the passage of time.

*Perpetual in nature:* Net assets subject to "donor-imposed" restrictions that will be maintained in perpetuity. This represents activity related to the Endowment Fund of the Organization. Endowment funds are restricted endowment donations intended to be invested on a long-term basis in perpetuity. These net assets with donor restrictions, represent the corpus of the Endowment Fund held by the Ann Arbor Area Community Foundation (AAACF). These funds are not accessible by the Organization, but the Organization is the beneficiary of any distributions, determined by the Foundation based on the income of the fund. At the end of each fiscal year, funds received from the AAACF are automatically transferred to net assets without donor restrictions.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses

The costs of providing the program and supporting services have been reported on a functional basis in the statements of functional expenses. Salaries and their related costs are charged directly to the program. Indirect operating costs have been allocated between the program and supporting services based on the percentage of staff time spent in each of the areas.

Marketing and Advertising

The costs of marketing and advertising, which are expenses as incurred, amounted to \$4,507 and \$562, respectively, for the years ended June 30, 2025 and 2024.

Accounting for Uncertainty in Tax Position

The Organization follows provisions of the Income Tax topic of ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the Statements of Financial Position if the tax position is more likely than not to be sustained upon an examination based on the technical merits of the position. As of June 30, 2025 and 2024, the Organization had no tax positions that qualify for recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**3. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure that is, without donor restrictions or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise of the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 375,105	\$ 270,803
Contributions receivable	25,896	14,009
Accounts receivable	<u>14,111</u>	<u>39,228</u>
Total	<u>\$ 415,112</u>	<u>\$ 324,040</u>

None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Organization in the next 12 months.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

**4. BENEFICIAL INTEREST IN ASSETS HELD BY A COMMUNITY FOUNDATION**

The Organization has an endowment fund with the Ann Arbor Area Community Foundation (AAACF) for the restricted use of Washtenaw Literacy. The Organization accounts for this fund in accordance with FASB ASC 958-605 which requires the fair value of all gifts or donations to the fund be treated as revenue in the year received and assets created by the donation classified as a beneficial interest in assets held by a community foundation. These funds are not accessible by the Organization, but the Organization is the beneficiary of any distributions, determined by AAACF, based on the income of the funds.

Distributions during the years ended June 30, 2025 and 2024 totaled \$5,597 and \$5,240, respectively. The Organization has not granted variance power to AAACF. When a nonprofit organization transfers assets to a charitable trust or community foundation in which the resource provider (the Organization) names itself as the beneficiary, the economic benefit of the transferred assets remains with the resource provider. If the assets are transferred permanently the asset received in exchange is a beneficial interest in assets held by others, measured by the fair value of the assets contributed. Changes in the value are recognized in the statements of activities and changes in net assets as unrealized gain on investments. See Note 6 for the components of the change in beneficial interest.

**WASHTENAW LITERACY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**5. PROPERTY AND EQUIPMENT**

At June 30, 2025 and 2024, property and equipment consist of the following:

	<u>2025</u>	<u>2024</u>
Office equipment	\$ 69,879	\$ 64,277
Less: Accumulated depreciation	<u>53,295</u>	<u>49,496</u>
Property and equipment - net	<u>\$ 16,584</u>	<u>\$ 14,781</u>

**6. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2025 and 2024:

*Beneficial interest in assets held*

Valued at market value on the contributions from the Organization and third parties, plus net earnings. See Note 4.

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of June 30, 2025 and 2024:

	<u>Fair Value Measurements at June 30, 2025</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset held by the community foundation	\$ -	\$ -	\$ 153,095	\$ 153,095
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,095</u>	<u>\$ 153,095</u>

	<u>Fair Value Measurements at June 30, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset held by the community foundation	\$ -	\$ -	\$ 144,305	\$ 144,305
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,305</u>	<u>\$ 144,305</u>

*Level 3 gains and losses*

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 144,305	\$ 132,577
Contributions	25	275
Interest and dividend income	2,495	2,413
Net realized and unrealized gain	14,931	17,037
Fees	(3,064)	(2,757)
Endowment funds appropriated for expenditure	<u>(5,597)</u>	<u>(5,240)</u>
Balance, end of year	<u>\$ 153,095</u>	<u>\$ 144,305</u>

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**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

*Quantitative information about significant unobservable inputs used in Level 3 fair value measurements*

The following represents the Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments as of June 30, 2025 and 2024, respectively, and the significant unobservable inputs and the ranges of values for those inputs:

<u>Instruments</u>	<u>Fair Value at June 30, 2025</u>	<u>Fair Value at June 30, 2024</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Asset held by the community foundation	\$ 153,095	\$ 144,305	Market Value	Minimum Guaranteed Rate	N/A

**7. RETIREMENT PLAN**

The Organization sponsors a SIMPLE IRA plan covering eligible employees. The Plan is funded through salary deferrals and employer matching contributions. Contributions to the Plan are immediately vested. Contributions are limited based on a percentage of employee contributions. The Organization's required matching contributions for the years ended June 30, 2025 and 2024, was \$1,813 and \$2,800, respectively.

**8. DATE OF MANAGEMENT'S REVIEW**

The Organization has evaluated events and transactions through October 20, 2025, the date which the financial statements were available to be issued.