LITERACY CONNECTS

Reviewed Financial Statements

For the years ended June 30, 2022 and 2021

LITERACY CONNECTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Literacy Connects

We have reviewed the accompanying financial statements of Literacy Connects (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Literacy Connects and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Ludwig Klewer & Rudner PLLC

November 17, 2022

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STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash	$ 1,134,965	$ 1,403,735
Accounts receivable	31,686	15,164
Grants receivable	-	27,500
Prepaid expenses	25,979	12,955
Total current assets	1,192,630	1,459,354
Property and equipment, net	1,789,808	1,815,498
Investments	77,394	-
Beneficial interest in funds held by others	308,204	275,129
Other assets	3,224	3,224
Total assets	$ 3,371,260	$ 3,553,205

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Accounts payable and accrued expenses	$ 19,530	$ 17,072
Accrued payroll and related expenses	76,501	110,112
Notes payable, current portion	6,570	36,290
Total current liabilities	102,601	163,474
Notes payable, non-current portion	364,299	621,446
Total liabilities	466,900	784,920
Net assets:		
Without donor restrictions:		
Undesignated	1,042,584	1,185,394
Expended for property and equipment	1,418,939	1,157,762
Designated by the board for endowment	10,355	11,909
Total net assets without donor restrictions	2,471,878	2,355,065
With donor restrictions:		
Purpose restrictions	134,633	150,000
Perpetual in nature	273,914	222,914
Subject to appropriation and expenditure	23,935	40,306
Total net asset with donor restrictions	432,482	413,220
Total net assets	2,904,360	2,768,285
Total liabilities and net assets	$ 3,371,260	$ 3,553,205

See independent accountant's review report and
notes to financial statements

LITERACY CONNECTS

STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 900,434	$ 51,000	$ 951,434
Grants	354,482	389,300	743,782
Debt extinguishment - Paycheck Protection Loan	280,740	-	280,740
Government contracts	269,286	-	269,286
In-kind contributions	172,983	-	172,983
Special events	137,246	-	137,246
Program service fees	7,630	-	7,630
Change in value of beneficial interest in funds held by others	(1,986)	(16,371)	(18,357)
Investment loss	(6,078)	-	(6,078)
Net assets released from restrictions:			
Purpose restrictions satisfied by expenditures	404,667	(404,667)	-
Total revenues and support	2,519,404	19,262	2,538,666
Expenses:			
Program services	2,030,224	-	2,030,224
Fundraising	245,824	-	245,824
Management and general	126,543	-	126,543
Total expenses	2,402,591	-	2,402,591
Change in net assets	116,813	19,262	136,075
Net assets, beginning of year	2,355,065	413,220	2,768,285
Net assets, end of year	$ 2,471,878	$ 432,482	$ 2,904,360

LITERACY CONNECTS

STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 1,025,064	$ 175,341	$ 1,200,405
Grants	464,677	83,000	547,677
Debt extinguishment - Paycheck Protection Loan	284,100	-	284,100
Government contracts	262,485	-	262,485
Special events	119,377	-	119,377
In-kind contributions	109,494	-	109,494
Change in value of beneficial interest in funds held by others	1,600	53,572	55,172
Interest income	5,670	-	5,670
Program service fees	4,718	-	4,718
Net assets released from restrictions:			
Purpose restrictions satisfied by expenditures	250,520	(250,520)	-
Total revenues and support	2,527,705	61,393	2,589,098
Expenses:			
Program services	1,619,606	-	1,619,606
Fundraising	308,365	-	308,365
Management and general	154,936	-	154,936
Total expenses	2,082,907	-	2,082,907
Change in net assets	444,798	61,393	506,191
Net assets, beginning of year	1,910,267	351,827	2,262,094
Net assets, end of year	$ 2,355,065	$ 413,220	$ 2,768,285

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STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022

	Program Services	Fund-Raising	General and Administrative	Total
Salaries	$ 1,174,586	$ 80,085	$ 80,085	$ 1,334,756
Payroll taxes	113,782	7,758	7,758	129,298
Employee benefits	101,277	6,905	6,905	115,087
Total employee expenses	1,389,645	94,748	94,748	1,579,141
Training and tutors	172,830	-	312	173,142
Professional educators and consultants	91,609	8,880	8,425	108,914
Professional services	32,843	56,793	2,043	91,679
Direct donor benefit costs	-	61,788	-	61,788
Equipment rental and maintenance	55,196	3,314	3,020	61,530
Depreciation	48,998	3,341	3,341	55,680
Communications	34,646	2,270	2,270	39,186
Office supplies	28,550	1,947	1,947	32,444
Program supplies	26,400	1,800	1,800	30,000
Interest expense	23,052	1,572	1,572	26,196
Insurance	22,482	1,487	1,487	25,456
Occupancy	21,587	1,423	1,423	24,433
Library purchases	19,738	-	-	19,738
Conferences and meetings	17,472	1,072	476	19,020
Miscellaneous	16,153	1,101	1,101	18,355
Printing and publications	12,050	822	822	13,694
Dues and subscriptions	10,693	1,591	378	12,662
Public relations	2,781	1,636	1,139	5,556
Postage	3,499	239	239	3,977
Total functional expenses	$ 2,030,224	$ 245,824	$ 126,543	$ 2,402,591

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STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	Program Services	Fund-Raising	General and Administrative	Total
Salaries	$ 929,412	$ 196,737	$ 105,615	$ 1,231,764
Payroll taxes	94,865	9,273	9,907	114,045
Employee benefits	80,314	17,035	9,237	106,586
Total employee expenses	1,104,591	223,045	124,759	1,452,395
Depreciation	72,688	17,923	8,961	99,572
Training and tutors	94,910	-	-	94,910
Professional educators and consultants	69,008	-	-	69,008
Equipment rental and maintenance	45,517	2,423	3,881	51,821
Professional services	24,936	13,989	2,369	41,294
Communications	31,715	1,762	1,761	35,238
Program supplies	34,322	-	-	34,322
Direct donor benefit costs	1,659	25,776	-	27,435
Interest expense	23,416	1,596	1,596	26,608
Library purchases	26,530	-	-	26,530
Insurance	21,245	1,180	1,180	23,605
Occupancy	20,255	900	900	22,055
Public relations	10,611	5,687	719	17,017
Office supplies	14,994	322	88	15,404
Printing and publications	9,296	5,530	319	15,145
Miscellaneous	770	2,671	7,704	11,145
Dues and subscriptions	7,033	3,338	367	10,738
Conferences and meetings	4,067	929	205	5,201
Postage	2,043	1,294	127	3,464
Total functional expenses	$ 1,619,606	$ 308,365	$ 154,936	$ 2,082,907

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STATEMENTS OF CASH FLOWS
For the years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 136,075	$ 506,191
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	55,680	99,572
Change in value of beneficial interest in funds held by others	18,357	(55,172)
Debt extinguishment - Paycheck Protection Program	(280,740)	(284,100)
Realized and unrealized loss on investments	11,057	-
Changes in operating assets and liabilities:		
Accounts receivable	(16,522)	(6,414)
Grants receivable	27,500	(17,500)
Prepaid expenses	(13,024)	(6,983)
Accounts payable and accrued expenses	2,458	2,829
Accrued payroll and related expenses	(33,611)	(13,032)
Total adjustments	(228,845)	(280,800)
Net cash (used in) provided by operating activities	(92,770)	225,391
Cash flows from investing activities:		
Purchases of property and equipment	(29,990)	(13,992)
Proceeds from sale of investments	36,054	-
Purchases of investments	(124,505)	-
Purchase of beneficial interest in funds held by others	(51,432)	(9,821)
Net cash used in investing activities	(169,873)	(23,813)
Cash flows from financing activities:		
Proceeds from note payable - Paycheck Protection Program	-	280,740
Repayments on notes payable	(6,127)	(4,323)
Net cash (used in) provided by financing activities	(6,127)	276,417
Change in cash	(268,770)	477,995
Cash, beginning of year	1,403,735	925,740
Cash, end of year	$ 1,134,965	$ 1,403,735
Supplemental schedule of cash flow information:		
Cash paid during the year for taxes	$ -	$ -
Cash paid during the year for interest	$ 26,196	$ 26,609
Debt extinguishment - Paycheck Protection Program	$ 280,740	$ 284,100

See independent accountant's review report and notes to financial statements

1. Organization

Literacy Connects (the Organization) is a Tucson nonprofit corporation that offers literacy and arts programs for children and adults. Formed in July 2011 by the merger of five longstanding organizations, the Organization has nearly 100 years of experience providing quality literacy programming in Pima County and Southern Arizona. It is one of the largest nonprofit literacy providers in Arizona, and its primary funding comes from private grants and donations.

The Organization addresses Tucson's high levels of poverty at its roots – by providing innovative, student-centered programming designated to cultivate independent, lifelong learners.

The Organization offers these programs:

- Reach Out and Read Southern Arizona prepares children from birth through age five to succeed in school by partnering with doctors to prescribe books and encourage families to read together.
- Reading Seed recruits and trains volunteer reading coaches to work one-on-one with students in kindergarten through fifth grade who are reading below grade level. It distributes free books to children to encourage independent reading.
- Stories that Soar! helps young writers experience the power of literacy and creative expression as their original stories soar to life through professional theatre productions, visual arts, handcrafted books and an arts integration K-12 curriculum.
- Adult Basic Literacy recruits, trains and supports volunteers to tutor adult students who need to improve their reading, writing, and math skills to enter job-training programs, gain their high school equivalency, get better jobs or enroll in higher education.
- English Language Acquisition for Adults recruits, trains, and supports volunteers to provide free classes for immigrants and refugees who want to speak, write and read in English so they can fully participate in – and contribute to – our community.
- The Youth Center at Literacy Connects is a space where middle school student can discover their assets, creatively express themselves and engage in Social Emotional Learning.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor (or grantor) restrictions. Net assets without donor restrictions at June 30, 2022 and 2021 include $10,355 and $11,909, respectively, designated by the board of directors as an endowment.
- Net assets with donor restrictions – net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

2. Summary of Significant Accounting Policies, Continued

Financial Statement Presentation, continued

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

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 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.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural classification. Certain other expenses are allocated among program services and supporting services benefited. These allocated expenses include salary and related expenses, training and tutors, professional services, supplies, equipment rental, communications, conferences and meetings, which are allocated on the basis of estimates of time and effort. Other expenses, including depreciation, occupancy and other operating expenses are allocated on a square footage basis.

Cash

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. There are no cash equivalents at June 30, 2022 and 2021. The Federal Deposit Insurance Corporation (FDIC) insures interest-bearing cash accounts at banks up to $250,000 per owner per institution. The National Credit Union Administration (NCUA) protects accounts at federally insured credit unions up to $250,000 per owner per institution. Investments held by other institutions are not insured. At June 30, 2022 and 2021, the Organization had cash and investments in the amounts of $812,501 and $895,221, respectively, at various banks and institutions in excess of FDIC and NCUA limitations. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

Accounts and Grants Receivable

Accounts receivable is comprised primarily of amounts owed to the Organization for contracted services. Grants receivable is comprised of amounts awarded to the Organization but not yet received. There are no accounts receivable balances at June 30, 2022 and 2021 that are 90 days or more past due. The grants receivable balance is current as of June 30, 2022 and 2021. Management believes all accounts and grants receivable are collectible and that no reserve is necessary at June 30, 2022 and 2021.

Revenue

Revenue is recognized when earned. Program services fees and government contracts under cost-reimbursable contracts payments received in advance are deferred to the applicable period in which the related services are performed.

2. Summary of Significant Accounting Policies, Continued

Beneficial Interest in Funds Held by Others

FASB ASC 958-605-50-6 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* dictates that a transfer of assets to a recipient organization is an equity transaction if all of the following conditions are present:

- The resource provider specifies itself or its affiliate as the beneficiary.
- The resource provider and the recipient organization are financially interrelated organizations.
- Neither the resource provider nor its affiliate expects payment of the transferred assets, although payment of investment return on the transferred assets may be expected.

The Organization funds held at Jewish Community Foundation (JCF) and the Community Foundation for Southern Arizona (CFSA) for which these criteria have been met. The combined balances at June 30, 2022 and 2021 are $308,204 and $275,129, respectively.

Property and Equipment

Purchased property and equipment is carried at cost. Donated property and equipment is recorded at estimated fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Organization capitalizes all expenditures for property and equipment in excess of $1,000 with a useful life of more than one year.

The cost of repairs and maintenance is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized. Upon the sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and leasehold improvements	7-40 years
Computer equipment	3-5 years
Furniture and fixtures	5-7 years
Library books	5 years

Advertising

The Organization expenses all advertising costs as incurred. Advertising expense was $5,556 and $17,017 for the years ended June 30, 2022 and 2021, respectively. These costs are included in public relations in the accompanying statement of functional expenses.

Donated Services, Materials, and Facilities

Donated services, materials, and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and are provided by individuals possessing those skills;
- The services would typically need to be purchased if not donated.

The Organization has recorded the value of professional educators and consultants totaling $163,327 and $93,683, respectively, for the years ended June 30, 2022 and 2021. Although the Organization also utilizes the services of many other volunteers, the fair value of these other services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies, Continued

Income Taxes

The Organization is a nonprofit organization exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3) and from Arizona income tax under Arizona Revised Statute section 43-1201(4). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a)(vi) and has been classified as other than a private foundation under Section 509(a)(1) of the IRC.

The Organization's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2022, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause the Organization to lose its tax-exempt status.

3. Liquidity and Availability of Resources

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

	2022	2021
Cash	$ 1,134,965	$ 1,403,735
Accounts receivable	31,686	15,164
Grants receivable	-	27,500
Total financial assets available within one year	1,166,651	1,446,399
Less:		
Amounts unavailable for general expenditures within one year due to:		
Purpose restrictions	(134,633)	(150,000)
Total financial assets available to management for general expenditure within one year	$ 1,032,018	$ 1,296,399

The Organization has a policy to structure is financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in interest-bearing cash accounts.

4. Investments

Investments are stated at fair value and consist of fixed income securities in the amount $57,394 and U.S. Treasury bonds in the amount $20,000 at June 30, 2022:

Investment loss consists of the following for the year ended June 30, 2022:

Interest and dividends	$ 4,979
Unrealized and realized loss	(11,057)
Investment loss	$ (6,078)

5. Property and Equipment

Property and equipment consists of the following at June 30, 2022:

	2022	2021
Buildings and improvements	$ 1,761,266	$ 1,761,266
Land and improvements	189,955	189,955
Computer equipment	53,646	53,646
Furniture and fixtures	72,996	72,996
Library books	30,804	30,804
Vehicle	4,500	4,500
Construction in process	29,990	-
Total property and equipment	2,143,157	2,113,167
Less accumulated depreciation	(353,349)	(297,669)
Property and equipment, net	$ 1,789,808	$ 1,815,498

Construction in process at June 30, 2022 includes costs for a roof replacement. The project was completed during July 2022 and total cost to complete the project was $59,980

6. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy 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.

6. Fair Value Measurements, Continued

The asset 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.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2022 and 2021.

- *Fixed income securities:* valued at the closing price reported on the active market on which they are traded.
- *Treasury bonds:* valued at face value.
- *Beneficial interest in funds held by others:* Valued at the fair value of the underlying equity and fixed income funds as reported by the foundation holding the funds.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis are:

	Assets at fair value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 57,394	$ -	$ -	$ 57,394
Treasury bonds	20,000	-	-	20,000
Beneficial interest in funds held by others	-	-	308,204	308,204
Total assets	$ 77,394	$ -	$ 308,204	$ 385,598

	Assets at fair value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Beneficial interest in funds held by others	$ -	$ -	$ 275,129	$ 275,129
Total assets	$ -	$ -	$ 275,129	$ 275,129

6. Fair Value Measurements, Continued

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2022:

Balance, beginning of year	$ 275,129	$ 210,136
Purchases and reinvested interest	51,432	9,821
Change in value	(14,952)	58,182
Fees	(2,970)	(2,582)
Distributions	(435)	(428)
Balance, end of year	$ 308,204	$ 275,129

7. Notes Payable

Notes payable consists of the following at June 30,:

	2022	2021
Note payable - Paycheck Protection Program, requiring monthly installments of $17,875 beginning March 2021. The loan was forgiven in its entirety and a gain on extinguishment of debt was recorded during the year ended June 30, 2021.	$ -	$ 280,740
Note payable to a non-profit corporation, requiring monthly installments of $2,694 including annual interest at 7% through April 2027.	370,869	376,996
Total notes payable	370,869	657,736
Less current portion	(6,570)	(36,290)
Note payable, non-current portion	$ 364,299	$ 621,446

Scheduled future maturities of the note payable are:

For the year ended June 30,	
2023	$ 6,570
2024	7,045
2025	7,554
2026	8,388
2027	341,312
	$ 370,869

7. Notes Payable, Continued

The Organization is accounting for the notes payable under the Small Business Administration's Paycheck Protection Program ("Program") as a financial liability under FASB ASC 470, *Debt*, specifically FASB ASC 405-20, *Liabilities: Extinguishments of Liabilities*. Under the guidance, the extinguishment of debt may not take place until the debtor has been legally released as the primary obligor. Legal release as a primary obligor will not take place by the lender until the Small Business Administration has approved the forgiveness application. Proceeds from the loan are eligible for forgiveness if used to fund eligible expenses and if the Organization meets the FTE and wage reduction requirements. During the years ended June 30, 2022 and 2021, respectively, the Program loans in the amount of $280,740 and $284,100 were entirely forgiven, and the related extinguishment of debt revenue has been recorded.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022:

	2022	2021
Subject to expenditure for specified purpose:		
Youth Center	$ 5,800	$ -
Reading Seed	27,000	35,000
Reach Out and Read	66,833	77,500
Stories That Soar!	5,000	17,500
Other purposes	30,000	20,000
	134,633	150,000
Endowments:		
Subject to appropriation and expenditure:		
Accumulated earnings on original perpetual endowment gifts	23,935	40,306
Not subject to spending policy or appropriation, beneficial interest in funds held, original perpetual gifts	273,914	222,914
Net assets with donor restrictions	$ 432,482	$ 413,220

8. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2022:

	Contributions	Change in Value of Beneficial Interest in Funds Held	Releases
Subject to expenditure for specified purpose:			
Youth Center	$ 40,800	$ -	$ (35,000)
Reading Seed	207,000	-	(215,000)
Reach Out and Read	40,500	-	(51,167)
Stories That Soar!	41,000	-	(53,500)
Other purposes	60,000	-	(50,000)
	389,300	-	(404,667)
Endowments:			
Subject to appropriation and expenditure:			
Accumulated endowment earnings	-	(16,371)	-
Not subject to spending policy or appropriation, beneficial interest in funds held, original perpetual gifts	51,000	-	-
Net assets with donor restrictions	$ 440,300	$ (16,371)	$ (404,667)

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2021:

	Contributions	Change in Value of Beneficial Interest in Funds Held	Releases
Subject to expenditure for specified purpose:			
Youth Center Campaign	$ -	$ -	$ (105,000)
Youth Center	30,000	-	(10,000)
Reading Seed	166,020	-	(88,520)
Infusion Project	27,500	-	(27,000)
Other purposes	25,000	-	(20,000)
	248,520	-	(250,520)
Endowments:			
Subject to appropriation and expenditure:			
Accumulated endowment earnings	-	53,572	-
Not subject to spending policy or appropriation, beneficial interest in funds held, original perpetual	9,821	-	-
Net assets with donor restrictions	$ 258,341	$ 53,572	$ (250,520)

9. Endowments

The Organization's endowment consists of a fund designated by the Board of Directors to function as an endowment to support general operations and a permanently restricted, donor-designated endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of Arizona as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion, if any, of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, accumulated deficiencies of this nature that are reported in net assets with donor restrictions were $-0- as of June 30, 2022 and 2021, and the related original corpus was $273,914 and $222,914, respectively.

Return Objectives and Risk Parameters

The Organization has no formally adopted investment policies for the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Investment Strategies

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

9. Endowments, Continued

Spending Policy

The Organization's endowment funds are held at two separate community foundations, and the Organization has adopted the spending policy of each foundation for these funds. Accordingly, accumulated earnings on both the board designated and donor-designated endowment funds are released as appropriations to unrestricted net assets when distributed by the foundations.

Endowment Fund Net Assets

Endowment fund net asset activity consists of the following for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2021	$ 11,909	$ 263,220	$ 275,129
Contributions	432	51,000	51,432
Change in value of beneficial interests in funds held at JCF and CFSA	(1,986)	(16,371)	(18,357)
Balance, June 30, 2022	$ 10,355	$ 297,849	$ 308,204

Endowment fund net asset activity consists of the following for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2020	$ 10,309	$ 199,827	$ 210,136
Contributions	-	9,821	9,821
Change in value of beneficial interests in funds held at JCF and CFSA	1,600	53,572	55,172
Balance, June 30, 2021	$ 11,909	$ 263,220	$ 275,129

10. In-Kind Contributions

In-kind contributions consist of the following for the year ended June 30, 2022:

	2022	2021
Professional tutors	$ 163,327	$ 93,683
Professional services	8,425	9,122
Public Relations	1,231	-
Interest forgiven	-	6,689
Total in-kind contributions	$ 172,983	$ 109,494

The above amounts were utilized in the Organization's programs and administrative services and are recorded at fair market value.

11. Commitments

The Organization leases office equipment under operating leases with various expirations through December 2023. Total rent expense for the years ended June 30, 2022 and 2021 was $16,092 and $18,927, respectively.

Scheduled future minimum lease payments due under the leases are:

For the year ended June 30,		
2023	$	19,443
2024		4,298
Total future minimum lease payments	$	23,741

12. Pension Plan

The Organization maintains a SIMPLE IRA plan covering all employees who are eligible to participate. Eligible employees may make contributions to the plan through payroll deductions, and the Organization is required to match the employee's salary reduction contributions up to 3% of their compensation for the year. Total contributions to the plan were $26,296 and $22,794, respectively, for the years ended June 30, 2022, and 2021.

13. Subsequent Events

The Organization was unaware of any subsequent events as of November 17, 2022, the date the financial statements were available to be issued.