

Literacy Pittsburgh

Financial Statements and Supplementary Information

Years Ended June 30, 2025 and 2024
with Independent Auditor's Reports

MaherDuessel

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LITERACY PITTSBURGH

YEARS ENDED JUNE 30, 2025 AND 2024

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LITERACY PITTSBURGH

YEARS ENDED JUNE 30, 2025 AND 2024

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Independent Auditor's Report

**Board of Directors
Literacy Pittsburgh**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Literacy Pittsburgh (LP), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 LP 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 and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 LP, 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 LP'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 and *Government 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 and *Government 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 LP'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 LP'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal*

Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025 on our consideration of LP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LP's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
December 11, 2025

LITERACY PITTSBURGH

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|---|-----------------------------|-----------------------------|
| Assets | | |
| <hr/> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,339,782 | \$ 2,643,587 |
| Grants and accounts receivable | 132,556 | 291,797 |
| Prepaid expenses | 62,999 | 9,841 |
| Total current assets | <u>1,535,337</u> | <u>2,945,225</u> |
| Fixed assets: | | |
| Furnishings and equipment | 361,991 | 361,991 |
| Leasehold improvements | 388,912 | 388,912 |
| Less: accumulated depreciation | <u>(700,122)</u> | <u>(691,571)</u> |
| Total fixed assets, net of depreciation | <u>50,781</u> | <u>59,332</u> |
| Operating lease right-of-use asset | <u>1,039,574</u> | <u>1,261,195</u> |
| Investments | <u>9,233,236</u> | <u>6,564,903</u> |
| Total Assets | <u><u>\$ 11,858,928</u></u> | <u><u>\$ 10,830,655</u></u> |
| Liabilities and Net Assets | | |
| <hr/> | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 96,916 | \$ 100,208 |
| Refundable advance | 98,877 | 402,954 |
| Compensated absences | 100,296 | 107,152 |
| Current portion of operating lease liability | <u>258,605</u> | <u>248,846</u> |
| Total current liabilities | <u>554,694</u> | <u>859,160</u> |
| Noncurrent portion of operating lease liability | <u>807,805</u> | <u>1,031,866</u> |
| Total Liabilities | <u>1,362,499</u> | <u>1,891,026</u> |
| Net Assets: | | |
| Without donor restrictions: | | |
| Board-designated for endowment | 561,176 | 562,883 |
| Undesignated | <u>3,012,660</u> | <u>2,000,830</u> |
| Total without donor restrictions | <u>3,573,836</u> | <u>2,563,713</u> |
| With donor restrictions | <u>6,922,593</u> | <u>6,375,916</u> |
| Total Net Assets | <u>10,496,429</u> | <u>8,939,629</u> |
| Total Liabilities and Net Assets | <u><u>\$ 11,858,928</u></u> | <u><u>\$ 10,830,655</u></u> |

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|------------------|
| Operating Support and Revenues: | | | |
| Government grants | \$ 4,760,903 | \$ - | \$ 4,760,903 |
| Contributions - corporations and foundations | 841,869 | 1,387,577 | 2,229,446 |
| Contributions - individual | 541,309 | 13,500 | 554,809 |
| Contributed nonfinancial assets | 230,602 | - | 230,602 |
| Special events | 135,370 | - | 135,370 |
| Investment gain (loss), net | 111,941 | 556,391 | 668,332 |
| Program income | 473,068 | - | 473,068 |
| Miscellaneous | 2,500 | - | 2,500 |
| Net assets released from restrictions: | | | |
| Satisfaction of restrictions | 1,309,979 | (1,309,979) | - |
| Endowment earnings appropriated for expenditure | 100,812 | (100,812) | - |
| Total operating support and revenues | 8,508,353 | 546,677 | 9,055,030 |
| Operating Expenses: | | | |
| Literacy program services | 6,335,034 | - | 6,335,034 |
| Management and general | 730,627 | - | 730,627 |
| Fundraising | 432,569 | - | 432,569 |
| Total operating expenses | 7,498,230 | - | 7,498,230 |
| Change in Net Assets | 1,010,123 | 546,677 | 1,556,800 |
| Net Assets: | | | |
| Beginning of year | 2,563,713 | 6,375,916 | 8,939,629 |
| End of year | \$ 3,573,836 | \$ 6,922,593 | \$ 10,496,429 |

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-------------------|
| Operating Support and Revenues: | | | |
| Government grants | \$ 4,005,638 | \$ - | \$ 4,005,638 |
| Contributions - corporations and foundations | 501,063 | 5,002,317 | 5,503,380 |
| Contributions - individual | 402,035 | - | 402,035 |
| Contributed nonfinancial assets | 114,413 | - | 114,413 |
| Special events | 109,696 | - | 109,696 |
| Investment gain (loss), net | 25,482 | 181,022 | 206,504 |
| Program income | 472,066 | - | 472,066 |
| Miscellaneous | 1,200 | - | 1,200 |
| Net assets released from restrictions: | | | - |
| Satisfaction of restrictions | 1,456,106 | (1,456,106) | - |
| Endowment earnings appropriated for expenditure | 137,092 | (137,092) | - |
| Total operating support and revenues | 7,224,791 | 3,590,141 | 10,814,932 |
| Operating Expenses: | | | |
| Literacy program services | 5,750,734 | - | 5,750,734 |
| Management and general | 787,586 | - | 787,586 |
| Fundraising | 425,472 | - | 425,472 |
| Total operating expenses | 6,963,792 | - | 6,963,792 |
| Change in Net Assets | 260,999 | 3,590,141 | 3,851,140 |
| Net Assets: | | | |
| Beginning of year | 2,302,714 | 2,785,775 | 5,088,489 |
| End of year | \$ 2,563,713 | \$ 6,375,916 | \$ 8,939,629 |

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

| | Literacy Program Services | Management and General | Fundraising | Total |
|--|---------------------------------|------------------------------|-------------|--------------|
| Salaries | \$ 3,570,551 | \$ 279,390 | \$ 235,977 | \$ 4,085,918 |
| Payroll taxes | 275,666 | 25,148 | 18,209 | 319,023 |
| Fringe benefits | 680,011 | 78,280 | 45,213 | 803,504 |
| Total salaries and related expenses | 4,526,228 | 382,818 | 299,399 | 5,208,445 |
| Subcontractors | 736,320 | - | - | 736,320 |
| Lobbying | 31,072 | - | - | 31,072 |
| Instructional materials and fees | 129,616 | - | - | 129,616 |
| Professional fees | 235,171 | 122,887 | 17,168 | 375,226 |
| Donated supplies and services | 145,250 | 76,951 | 8,401 | 230,602 |
| Office supplies | 51,115 | 33,224 | 853 | 85,192 |
| Printing and publications | 9,281 | 3,356 | 9,965 | 22,602 |
| Postage and shipping | 10,447 | 1,585 | 3,821 | 15,853 |
| Telephone | 33,201 | 15,836 | - | 49,037 |
| Occupancy | 267,382 | 42,549 | 4,720 | 314,651 |
| Insurance | - | 17,294 | - | 17,294 |
| Travel | 9,325 | 331 | 184 | 9,840 |
| Staff development and training | 143,467 | 26,974 | 9,384 | 179,825 |
| Special events | - | - | 76,972 | 76,972 |
| Bank fees and interest | - | 3,472 | 1,038 | 4,510 |
| Miscellaneous | - | 2,622 | - | 2,622 |
| Total before depreciation and amortization | 6,327,875 | 729,899 | 431,905 | 7,489,679 |
| Depreciation and amortization | 7,159 | 728 | 664 | 8,551 |
| Total expenses | \$ 6,335,034 | \$ 730,627 | \$ 432,569 | \$ 7,498,230 |

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

| | Literacy Program Services | Management and General | Fundraising | Total |
|--|---------------------------------|------------------------------|-------------------|---------------------|
| Salaries | \$ 3,316,762 | \$ 234,465 | \$ 217,878 | \$ 3,769,105 |
| Payroll taxes | 267,993 | 17,837 | 17,754 | 303,584 |
| Fringe benefits | 651,664 | 108,798 | 46,305 | 806,767 |
| Total salaries and related expenses | <u>4,236,419</u> | <u>361,100</u> | <u>281,937</u> | <u>4,879,456</u> |
| Subcontractors | 726,087 | - | - | 726,087 |
| Lobbying | 22,288 | - | - | 22,288 |
| Instructional materials and fees | 81,932 | - | - | 81,932 |
| Professional fees | 202,355 | 161,781 | 25,437 | 389,573 |
| Donated supplies and services | - | 114,413 | - | 114,413 |
| Office supplies | 37,235 | 38,000 | 684 | 75,919 |
| Printing and publications | 8,862 | 1,242 | 16,041 | 26,145 |
| Postage and shipping | 8,206 | 5,711 | 6,242 | 20,159 |
| Telephone | 27,098 | 17,630 | - | 44,728 |
| Occupancy | 267,994 | 46,007 | 5,367 | 319,368 |
| Insurance | - | 12,277 | - | 12,277 |
| Travel | 17,537 | 1,258 | 151 | 18,946 |
| Staff development and training | 104,971 | 20,668 | 12,706 | 138,345 |
| Special events | - | - | 74,428 | 74,428 |
| Bank fees and interest | - | 6,691 | 1,912 | 8,603 |
| Miscellaneous | 1,622 | 52 | - | 1,674 |
| Total before depreciation and amortization | <u>5,742,606</u> | <u>786,830</u> | <u>424,905</u> | <u>6,954,341</u> |
| Depreciation and amortization | <u>8,128</u> | <u>756</u> | <u>567</u> | <u>9,451</u> |
| Total expenses | <u>\$ 5,750,734</u> | <u>\$ 787,586</u> | <u>\$ 425,472</u> | <u>\$ 6,963,792</u> |

See accompanying notes to financial statements.

LITERACY PITTSBURGH

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 1,556,800 | \$ 3,851,140 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 8,551 | 9,451 |
| Reduction in carrying amount of operating right-of-use asset | 221,621 | 215,461 |
| Net realized and unrealized (gain) loss on investments | (459,767) | (145,883) |
| Contributions restricted for long-term purposes | - | (2,500,000) |
| Change in assets and liabilities: | | |
| Grants and accounts receivable | 159,241 | (47,626) |
| Prepaid expenses | (53,158) | 49,133 |
| Other assets | - | 7,644 |
| Accounts payable | (3,292) | (28,950) |
| Refundable advance | (304,077) | 288,182 |
| Compensated absences | (6,856) | 10,086 |
| Operating lease liability | (214,302) | (208,142) |
| Net cash provided by (used in) operating activities | <u>904,761</u> | <u>1,500,496</u> |
| Cash Flows From Investing Activities: | | |
| Purchase of fixed assets | - | (8,358) |
| Purchase of investments | (2,333,311) | (4,119,000) |
| Proceeds from sales of investments | 124,745 | 195,471 |
| Net cash provided by (used in) investing activities | <u>(2,208,566)</u> | <u>(3,931,887)</u> |
| Cash Flows From Financing Activities: | | |
| Contributions restricted for long-term purposes | - | 2,500,000 |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(1,303,805)</u> | <u>68,609</u> |
| Cash and Cash Equivalents: | | |
| Beginning of year | <u>2,643,587</u> | <u>2,574,978</u> |
| End of year | <u>\$ 1,339,782</u> | <u>\$ 2,643,587</u> |

See accompanying notes to financial statements.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

1. Organization

The mission of Literacy Pittsburgh (LP), a nonprofit corporation, is better lives through learning. LP provides education for adults and children in reading, writing, math, English language, GED preparation, computer skills, and workforce skills. Starting in fiscal year 2019, LP put an increasing emphasis on preparing students for employment and/or postsecondary education. LP envisions a more inclusive and productive community driven by access to education.

LP was incorporated in 1982 and changed its name from Greater Pittsburgh Literacy Council in February 2018. LP's primary adult and family education programs are coordinated by 72 employees at 9 locations in the Pittsburgh, Pennsylvania, metropolitan area. LP's volunteer tutors, AmeriCorps members, and professional staff served 3,144 and 3,349 learners in the Pittsburgh area during the years ended June 30, 2025 and 2024, respectively.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized as they are earned, and expenses are recorded when liabilities are incurred.

Basis of Presentation

Literacy Pittsburgh classifies its net assets and its revenue, support, and expenses based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions result from contributions specifically restricted by donors for various programs or future periods. Net assets without donor restrictions represent resources over which the Board of Directors (Board) has discretionary control.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ significantly from those estimates.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. LP maintains its cash accounts at one commercial bank located in the City of Pittsburgh. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. LP had cash balances of \$1,194,314 and \$2,414,019 in excess of FDIC insured limits at June 30, 2025 and 2024, respectively. Management has no concerns regarding the solvency of the financial institutions involved at the current time.

Liquidity and Availability

LP manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted. LP prepares very detailed budgets and has been very active in cutting costs to ensure the entity remains liquid.

The following reflects LP's financial assets (cash and cash equivalents, grants and accounts receivable, and investments) as of June 30, 2025 and 2024 expected to be available within one year to meet the cash needs for general expenditures:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Financial assets, at year-end | \$10,705,574 | \$ 9,500,287 |
| Less: those unavailable for general expenditures within one year, due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted by board designation | (561,176) | (562,883) |
| Restricted by donor with time or purpose restrictions | (3,525,703) | (2,979,026) |
| Restricted for permanent endowment | <u>(3,396,890)</u> | <u>(3,396,890)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 3,221,805</u> | <u>\$ 2,561,488</u> |

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Grants and Accounts Receivable

Grants receivable represent amounts awarded by donors and government agencies that have not been received. Grants and accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. LP has elected the practical expedient permitted under ASU 2025-05 for accounts receivable associated with its program income. Under this expedient, LP assumes that current conditions as of the balance sheet date remain unchanged over the remaining life of the applicable financial assets. This expedient applies to current trade receivables and contract assets expected to be collected within one year. In addition, LP elected the accounting policy to consider subsequent cash collections when estimating expected credit losses. Specifically, LP evaluated cash collections through October 28, 2025, which is 120 days from year end. Amounts collected by this date were excluded from the allowance for credit losses. For remaining balances not collected by the cut-off date, LP has determined that no material credit loss is expected and no allowance for credit loss was recorded at June 30, 2025 and 2024. LP does not currently recognize or accrue interest on any unpaid receivable balance. All receivables are due within one year.

Beginning and ending program income accounts receivable balances for the year ended June 30, 2025 were \$67,343 and \$50,419, respectively. Beginning and ending accounts receivable balances for the year ended June 30, 2024 were \$50,579 and \$67,343, respectively.

Revenue and Revenue Recognition

Contributions are recognized when a donor makes an unconditional promise to give and are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. 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 substantially met. Conditional grants received in advance are recorded as refundable advances.

LP received a conditional contribution with an original awarded amount of \$200,000 during the year ended June 30, 2023. Conditions were met and revenue was recognized in the amount of \$100,000 and \$100,000 during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025, the entire balance has been expended and recognized as revenue.

LP received a conditional contribution with an original awarded amount of \$490,000 during the year ended June 30, 2024. Conditions were met and revenue was recognized in the

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

amount of \$204,077 and \$187,046 during the years ended June 30, 2025 and 2024, respectively. The remaining \$98,877 of the conditional contribution is recorded as refundable advance as of June 30, 2025, as the remaining conditions have not been met.

LP received a conditional contribution with an original awarded amount of \$300,000 during the year ended June 30, 2020. In addition to contribution revenue recognized prior to the year ended June 30, 2024, conditions were met and revenue was recognized in the amount \$14,772 during the year ended June 30, 2024. As of June 30, 2024, the entire balance has been expended and recognized as revenue.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time period has elapsed, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

A portion of the LP revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when LP has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. LP was awarded cost-reimbursable grants of \$292,893 and \$311,006 that have not been recognized at June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

LP recognizes program income at the time services are provided, as that is when the performance obligations are met.

Payments for program services and special event revenue, other than contributions, received in advance of service delivery are deferred. There was no material deferred revenue at the beginning or end of the years ended June 30, 2025 and 2024.

There have been no changes in the significant judgments related to the amount and timing of revenue from program service contracts, and there are no impairment losses recognized related to these contracts.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Refundable Advance

Refundable advances were \$98,877 and \$402,954 for the years ended June 30, 2025 and 2024, respectively. This represents refundable advance amounts, or conditional contributions that have been received in advance of the condition being met. At June 30, 2025 and 2024, refundable advance balance is made up of the following:

| | <u>2025</u> | <u>2024</u> |
|--|------------------|-------------------|
| Heinz Endowments - Ready and Relevant 2023 grant | \$ - | \$ 100,000 |
| RK Mellon - Tutoring 2024 grant | <u>98,877</u> | <u>302,954</u> |
| | <u>\$ 98,877</u> | <u>\$ 402,954</u> |

Fixed Assets, Depreciation, and Amortization

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years. Fixed asset purchases and major leasehold improvements and betterments to equipment in excess of \$5,000 are capitalized.

Donated furniture, fixtures, and equipment are recorded as support at their estimated fair value at the time of donation. Donated items are capitalized or expensed following the same capitalization threshold as purchased items. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. In the absence of donor stipulations regarding how long those assets must be maintained, LP reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. LP reclassifies net asset with donor restrictions to net assets without donor restrictions at that time.

Leases

LP determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and liabilities on the statements of financial position. Currently, LP has only operating leases as a lessee.

ROU assets represent LP's right to use an underlying asset for the lease term and lease liabilities represent LP's obligation to make lease payments arising from the lease. ROU

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As LP's leases do not provide an implicit rate, a risk-free Treasury rate is used, which is based on the information available at the commencement date in determining the present value of lease payments.

LP's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

LP does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of such leases will be reported as lease expense on a straight-line basis over the lease term.

Fair Value Measurements

LP applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. LP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, required to be recorded at fair value, LP considers the principal or most advantageous market in which LP would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

LP applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - Observable inputs such as quoted prices in active markets for identical investments that LP has the ability to access.
- Level 2 - Inputs 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 in active markets, that are observable either directly or indirectly; Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

- Level 3 - Unobservable inputs in which there is little or no market activity for the asset or liability, which require the management to develop its own estimates and assumptions relating to the pricing the asset or liability including assumptions regarding risk.

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. The valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are composed of money market and mutual funds investing in debt, real estate, and equity securities and are reported at fair value based on readily determinable market quotations. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Donor-restricted endowment unrealized gains and losses are recognized as increases or decreases in net assets with donor restrictions until the Board appropriates the earnings for use at which time the earnings appropriated are reclassified to net assets without donor restrictions. Interest on the endowment, dividends, and net realized and unrealized gains and losses are reflected as part of investment gain included in the statements of activities.

Compensated Absences

Vacation is earned at various rates, depending upon length of service and number of hours worked per week. Employees can carry over up to ten vacation days from the preceding calendar year. Upon termination of employment, employees are paid for accrued vacation; however, employees discharged for cause do not receive payment of accrued vacation.

Income Taxes

LP is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code. LP annually files federal and state information returns as required. Accordingly, no provision for federal or state income taxes is deemed appropriate so none recorded in the financial statements.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Contributed Nonfinancial Assets

Contributed nonfinancial assets are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statement of activities included:

| | <u>2025</u> | <u>2024</u> |
|---------------------|-------------------|-------------------|
| Legal services | \$ 76,951 | \$ 114,413 |
| Special event items | 8,401 | - |
| Computer equipment | 145,250 | - |
| | <u>\$ 230,602</u> | <u>\$ 114,413</u> |

Contributed supplies and equipment are recognized as in-kind revenue at their estimated fair value at the time of the donation based on retail value. Contributed supplies recognized consisted of beverages and a photo booth for LP's One Big Table fundraising event. These supplies are included as fundraising expenses in the statements of functional expenses. Contributed computer equipment consisted of donated laptops to be used in classes. These laptops are included as program expenses in the statements of functional expenses.

Contributed services are recognized as in-kind revenue at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Contributed legal services were valued and reported at their estimated fair value in the financial statements based on the current rates and hours worked by the legal firm. Legal services were used in fiscal years 2025 and 2024 for consulting on various personnel matters and employee handbook updates. These services are included as management expenses and general in the statements of functional expenses.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program and supporting services.

Several non-payroll related costs are subject to a grant/project allocation process (rent, utilities, and communication costs). These allocations use the most relevant allocation methodology as it applies to the cost. A time analysis based on employee percentage of

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

effort is completed to determine how indirect costs will be allocated across the various programs, management and general, and fundraising.

Adopted Accounting Standard

The provisions of this Standards Update have been adopted and incorporated into these financial statements.

ASU 2025-05, *“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets.”* This ASU provides a practical expedient and an optional accounting policy election for estimating expected credit losses on current accounts receivable and current contract assets arising from transactions accounted for under ASC 606. The adoption was not considered material to the financial statements and primarily resulted in new disclosures only.

Reclassification

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

3. Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by LP to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of LP’s mission. Investments are made by diversified investment managers whose performance is monitored by LP and the investment planning committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, LP and the investment

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

planning committee believe that the investment policies and guidelines are prudent for the long-term welfare of LP.

4. Investments

Investments consist of money market and mutual funds. Cash and cash equivalents, reported with investments on the statements of financial position, are available to be invested, with the assistance of external advisors, in equity or longer-term debt instruments. Since there is no intent to liquidate the cash and cash equivalents for short-term operating needs, they are presented as long-term investments.

The total returns on investments and cash equivalents for the year ended June 30, 2025 are summarized as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Interest and dividend income | \$ 134,838 | \$ 112,061 | \$ 246,899 |
| Net realized and unrealized gains (losses) | 15,437 | 444,330 | 459,767 |
| Management fees | (38,334) | - | (38,334) |
| Total investment gain (loss), net | <u>\$ 111,941</u> | <u>\$ 556,391</u> | <u>\$ 668,332</u> |

The total returns on investments and cash equivalents for the year ended June 30, 2024 are summarized as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Interest and dividend income | \$ 14,987 | \$ 63,128 | \$ 78,115 |
| Net realized and unrealized gains (losses) | 27,989 | 117,894 | 145,883 |
| Management fees | (17,494) | - | (17,494) |
| Total investment gain (loss), net | <u>\$ 25,482</u> | <u>\$ 181,022</u> | <u>\$ 206,504</u> |

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

As indicated below, at June 30, 2025 and 2024, all LP investments were valued using Level 1 inputs. Fair values of assets measured on a recurring basis as of June 30, 2025 are as follows:

| Description | Total | Fair Value Measurements at Reporting Date Using | | |
|------------------------------|--------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Other Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and cash equivalents | \$ 37 | \$ 37 | \$ - | \$ - |
| Money markets | 2,788,321 | 2,788,321 | - | - |
| Intermediate core bond funds | 2,496,666 | 2,496,666 | - | - |
| Mutual funds: | | | | |
| Large domestic stock funds | 2,496,484 | 2,496,484 | - | - |
| International stock funds | 1,451,728 | 1,451,728 | - | - |
| Totals | \$ 9,233,236 | \$ 9,233,236 | \$ - | \$ - |

Fair values of assets measured on a recurring basis as of June 30, 2024 are as follows:

| Description | Total | Fair Value Measurements at Reporting Date Using | | |
|-------------------------------|--------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Other Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and cash equivalents | \$ 6,448 | \$ 6,448 | \$ - | \$ - |
| Money markets | 4,000,000 | 4,000,000 | - | - |
| Mutual funds: | | | | |
| Large Domestic Stock Funds | 733,852 | 733,852 | - | - |
| Small Domestic Stock Funds | 316,752 | 316,752 | - | - |
| International Stock Funds | 552,594 | 552,594 | - | - |
| Real Estate Investment Trusts | 77,430 | 77,430 | - | - |
| Short-Term Debt Funds | 166,555 | 166,555 | - | - |
| Intermediate Term Debt Funds | 630,594 | 630,594 | - | - |
| Other Equity Assets | 80,678 | 80,678 | - | - |
| Totals | \$ 6,564,903 | \$ 6,564,903 | \$ - | \$ - |

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

5. Government Grants

Government grants identified in the statements of activities for the years ended June 30, 2025 and 2024 are composed of the following:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Federal grants | \$ 2,419,316 | \$ 1,913,730 |
| Pennsylvania Department of Education - Adult Education | 902,339 | 908,467 |
| Pennsylvania Department of Education - Family Literacy | 217,630 | 243,695 |
| Pennsylvania Department of Education - Tutoring Program | 699,867 | 518,997 |
| Other | 521,751 | 420,749 |
| | <u>\$ 4,760,903</u> | <u>\$ 4,005,638</u> |

6. Grants Receivable

Grants receivable balances at June 30, 2025 and 2024 consist of the following:

| | <u>2025</u> | <u>2024</u> |
|---|------------------|-------------------|
| PA Department of Labor - Compass AmeriCorps | \$ 22,612 | \$ 52,505 |
| DHS - Digital Literacy | 26,675 | 4,849 |
| PA Department of Labor - TEGL | - | 104,250 |
| Massey Charitable Trust | - | 30,000 |
| Other | 32,850 | 32,850 |
| | <u>\$ 82,137</u> | <u>\$ 224,454</u> |

7. Leases

LP's operations and administration are carried out in various leased spaces throughout their service area. LP evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset and lease liability, which arise from an operating office lease, were calculated based on the present value of future lease payments over the lease terms. As LP's lease does not provide an implicit rate, a risk-free Treasury rate of 2.92% was used, which is based on the information available at the commencement date. As of June 30, 2025

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

and 2024, assets recorded under the operating lease totaled \$1,039,574 and \$1,261,195, respectively.

Future minimum lease payments under non-cancellable leases as of June 30, 2025 were as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|-------------------------------------|----------------------------|
| 2026 | \$ 258,605 |
| 2027 | 263,484 |
| 2028 | 263,484 |
| 2029 | 263,484 |
| 2030 | <u>87,828</u> |
| Total future minimum lease payments | 1,136,885 |
| Less: interest | <u>(70,475)</u> |
| Total | <u><u>\$ 1,066,410</u></u> |

Other information related to leases is as follows:

| | <u>2025</u> | <u>2024</u> |
|---|-------------|-------------|
| Operating lease costs | \$ 256,165 | \$ 256,165 |
| Supplemental cash flows information: | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 248,846 | \$ 248,846 |
| Weighted average remaining lease term: | | |
| Operating lease | 4.33 | 5.33 |
| Weighted average discount rate: | | |
| Operating lease | 2.92% | 2.92% |

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

8. Restrictions on Net Assets

Net asset with donor restrictions at June 30, 2025 and 2024 are available for the following purposes:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Subject to expense for a specified purpose (or purpose and time): | | |
| Adult and Family Literacy | \$ 90,084 | \$ 193,420 |
| College and Career Readiness | 302,695 | 52,033 |
| Beaver County | 2,000 | 30,343 |
| Digital skills development | 58,622 | 35,826 |
| Student needs | 8,661 | 5,555 |
| Human resources | - | 51,317 |
| Operating reserve | 1,000,000 | 1,000,000 |
| Working capital fund | 500,000 | 500,000 |
| Other programs | <u>13,549</u> | <u>16,019</u> |
| Total subject to purpose and time restrictions | <u>1,975,611</u> | <u>1,884,513</u> |
| Endowment: | | |
| Investment in perpetuity | 3,396,890 | 3,396,890 |
| Accumulated gains on endowment | <u>1,550,092</u> | <u>1,094,513</u> |
| Total endowment | <u>4,946,982</u> | <u>4,491,403</u> |
| Total net assets with donor restrictions | <u>\$ 6,922,593</u> | <u>\$ 6,375,916</u> |

During the years ended June 30, 2025 and 2024, net assets in the amount of \$1,309,979 and \$1,456,106, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose.

During the years ended June 30, 2025 and 2024, net assets in the amount of \$100,812 and \$137,092, respectively, were released as endowment earnings appropriated for expenditure.

In 2024, LP received an investment of \$4,000,000 to be used to support operating activities. The purpose of this fund is to provide LP with access to capital and operating reserves that could be immediately used for opportunities to support LP's mission. \$2,500,000 is a permanently restricted endowment in which LP may draw 5% annually to support LP's

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

operating activities, as further discussed in footnote 9. The remaining \$1,500,000 of the fund is not a permanent endowment, but rather is a restricted reserve, \$1,000,000 for an operating reserve and \$500,000 for a working capital fund, in which LP may withdraw 100% of the funds with the following provisions: LP will replenish all funds withdrawn as temporary working capital immediately upon receipt of the identified revenue or within twelve months, whichever comes first, funds withdrawn for rainy day uses will be replenished no later than twenty four months after withdrawal, and if the fund balance drops below \$375,000, no further draws will be made until the fund can be returned to \$500,000. No amounts were withdrawn from the funds during the years ended June 30, 2025 and 2024.

9. Endowments

LP has two endowment funds, one established to support its mission and a second endowment established during the year ended June 30, 2024, in the amount of \$2,500,000, to support operating activities. LP's endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of the Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548 "Investment of Trust Funds," as amended by Pennsylvania State Act 141 of 1998 (Act). LP has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, LP classifies as net assets with donor restrictions (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 if required by the applicable donor gift instruments. The remaining portion of the endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by LP in a manner consistent with the standard of prudence prescribed by relevant law.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Endowment Spending Policy

LP's Board-approved endowment spending policy allows LP to spend in any fiscal year, five percent of the prior three-year average endowment fair value to support LP's mission. Endowment transfers in excess of this five percent annual amount may be explicitly approved by LP's Board to support special projects, the nature of which is to build the long-term strength of LP. This spending policy is in accordance with Pennsylvania law and donor restrictions.

Return Objectives and Risk Parameters

Endowment funds include funds actively managed by LP as part of a single commingled investment pool. The principal financial objective of the endowment is that the endowment principal should be preserved and if possible enhanced to help ensure LP's financial future. The productivity of the endowment must strike a balance between the preservation of principal in real terms for perpetuity and supporting a spending policy that sustains the mission of LP. To monitor the effectiveness of the investment strategy of the endowment, performance goals are established to exceed the expected real rate of return, established benchmark indices, and the median return of comparable endowment funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, LP 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). LP 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.

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 requires LP to retain as a fund of perpetual duration or the original corpus of the permanent gift. There were no such deficiencies as of June 30, 2025 and 2024.

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Endowment net asset composition by fund type as of June 30, 2025:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------------|----------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds | \$ - | \$ 4,946,982 | \$ 4,946,982 |
| Board-designated endowment funds | 561,176 | - | 561,176 |
| | <u>\$ 561,176</u> | <u>\$ 4,946,982</u> | <u>\$ 5,508,158</u> |

Endowment net asset composition by fund type as of June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------------|----------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds | \$ - | \$ 4,491,403 | \$ 4,491,403 |
| Board-designated endowment funds | 562,883 | - | 562,883 |
| | <u>\$ 562,883</u> | <u>\$ 4,491,403</u> | <u>\$ 5,054,286</u> |

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Changes in endowment net assets for the year ended June 30, 2025:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|----------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 562,883 | \$ 4,491,403 | \$ 5,054,286 |
| Investment return: | | | |
| Investment income | 26,605 | 112,061 | 138,666 |
| Net realized and unrealized gains (losses) | 7,982 | 444,330 | 452,312 |
| Total investment income (loss) | 34,587 | 556,391 | 590,978 |
| Contributions | - | - | - |
| Withdrawals | (23,934) | (100,812) | (124,746) |
| Management fees | (12,360) | - | (12,360) |
| Endowment net assets, end of year | <u>\$ 561,176</u> | <u>\$ 4,946,982</u> | <u>\$ 5,508,158</u> |

Changes in endowment net assets for the year ended June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|----------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 548,018 | \$ 1,947,473 | \$ 2,495,491 |
| Investment return: | | | |
| Investment income | 14,987 | 63,128 | 78,115 |
| Net realized and unrealized gains (losses) | 27,989 | 117,894 | 145,883 |
| Total investment income (loss) | 42,976 | 181,022 | 223,998 |
| Contributions | - | 2,500,000 | 2,500,000 |
| Withdrawals | (10,617) | (137,092) | (147,709) |
| Management fees | (17,494) | - | (17,494) |
| Endowment net assets, end of year | <u>\$ 562,883</u> | <u>\$ 4,491,403</u> | <u>\$ 5,054,286</u> |

LITERACY PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

10. Retirement Savings Plan

LP maintains a 401(k) Retirement Savings Plan (Plan) covering substantially all of the employees. Employees are eligible for admittance to the Plan after three months of service. LP will provide a matching contribution to eligible participants up to a maximum of four percent of their compensation. LP may also make an annual contribution to the Plan at the discretion of the Board of Directors. Participants are eligible to receive this discretionary contribution after completing a year of service (750 hours in a year). A discretionary contribution of 2% was provided to all eligible participants during the year ended June 30, 2023. Participants will not be vested in either LP's matching or discretionary contribution until they complete three years of service. LP made total contributions of approximately \$97,000 and \$97,000 during the years ended June 30, 2025 and 2024, respectively.

11. Risks and Uncertainty

LP receives a significant portion of its funding from grants administered through various government agencies. These funds are subject to annual appropriations by the Commonwealth of PA and may be impacted by changes in federal and state budget priorities, legislative actions, or administrative policies. A significant reduction in funding could adversely affect LP's ability to provide services. Management has obtained consistent levels of government funding for the year ended June 30, 2026 and will continue to monitor future year funding amounts.

SUPPLEMENTARY INFORMATION

LITERACY PITTSBURGH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Grantor Number</u> | <u>Program or Award Amount</u> | <u>Expenditures Through June 30, 2024</u> | <u>Amount Passed Through to Subrecipients</u> | <u>2025 Federal Expenditures</u> | <u>Aggregate Expenditures Through June 30, 2025</u> |
|---|--|------------------------------------|--------------------------------|---|---|----------------------------------|---|
| <u>Corporation for National and Community Service:</u> | | | | | | | |
| Passed through the Pennsylvania Department of Labor and Industry: | | | | | | | |
| AmeriCorps State and National | 94.006 | 24AC261090 | 322,579 | \$ 208,003 | \$ - | \$ 17,179 | \$ 225,182 |
| AmeriCorps State and National | 94.006 | 21ACBPA0010006 | 338,708 | - | - | 143,212 | 143,212 |
| Total ALN 94.006 | | | | <u>208,003</u> | <u>-</u> | <u>160,391</u> | <u>368,394</u> |
| Total Corporation for National and Community Service | | | | <u>208,003</u> | <u>-</u> | <u>160,391</u> | <u>368,394</u> |
| <u>U.S. Department of Labor:</u> | | | | | | | |
| Passed through the Employment and Training Administration: | | | | | | | |
| Community Project Funding/Congressionally Directed Spending | 17.289 | CP39450QF1 | 675,000 | 524,100 | - | 150,900 | 675,000 |
| Total ALN 17.289 | | | | <u>524,100</u> | <u>-</u> | <u>150,900</u> | <u>675,000</u> |
| Total U.S. Department of Labor | | | | <u>524,100</u> | <u>-</u> | <u>150,900</u> | <u>675,000</u> |
| <u>U.S. Department of Education:</u> | | | | | | | |
| Passed through the Pennsylvania Department of Education: | | | | | | | |
| Adult Education - Basic Grants to States | 84.002 | 064-25-0020 | 2,108,025 | - | 420,768 | 2,108,025 | 2,108,025 |
| Total U.S. Department of Education | | | | <u>-</u> | <u>420,768</u> | <u>2,108,025</u> | <u>2,108,025</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 732,103</u> | <u>\$ 420,768</u> | <u>\$ 2,419,316</u> | <u>\$ 3,151,419</u> |

See accompanying notes to schedule of expenditures of federal awards.

LITERACY PITTSBURGH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Literacy Pittsburgh (LP) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LP.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Schedule is based upon information provided by the various funding sources to LP and other information available at the time this Schedule was prepared. For the year ended June 30, 2025, LP did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Literacy Pittsburgh

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2025

**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**Board of Directors
Literacy Pittsburgh**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Literacy Pittsburgh (LP), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LP’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LP’s internal control. Accordingly, we do not express an opinion on the effectiveness of LP’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Board of Directors
Literacy Pittsburgh
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
December 11, 2025

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Literacy Pittsburgh**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Literacy Pittsburgh (LP)’s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of LP’s major federal programs for the year ended June 30, 2025. LP’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, LP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LP and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LP’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to LP’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LP's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 LP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

Board of Directors
Literacy Pittsburgh
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
December 11, 2025

LITERACY PITTSBURGH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

7. Major Programs:

Federal ALN(s)

84.002

Name of Federal Program or Cluster

Adult Education - Basic Grants to States

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

LITERACY PITTSBURGH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2025

NONE