

**Making It Better
(DBA Literacy Now)**

Financial Statements
and Independent Auditors' Report
for the years ended July 31, 2024 and 2023

Literacy Now

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Independent Auditors' Report

To the Board of Directors of
Literacy Now:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Making It Better (DBA Literacy Now), which comprise the statements of financial position as of July 31, 2024 and 2023, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Literacy Now as of July 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Literacy Now 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 Literacy Now's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Literacy Now'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 Literacy Now'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.

Blazek & Vetterling

December 19, 2024

Literacy Now

Statements of Financial Position as of July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents (<i>Notes 3 and 5</i>)	\$ 724,914	\$ 861,885
Accounts and other receivables	44,000	232
Contributions receivable (<i>Note 4</i>)	65,450	96,813
Prepaid expenses and other receivables	46,728	37,061
Investments (<i>Note 5</i>)	<u>260,826</u>	<u>211,967</u>
TOTAL ASSETS	<u>\$ 1,141,918</u>	<u>\$ 1,207,958</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 7,227	\$ 4,193
Accrued payroll liabilities	42,101	52,000
Refundable advance – special event	<u>3,500</u>	<u>15,800</u>
Total liabilities	<u>52,828</u>	<u>71,993</u>
Net assets:		
Without donor restrictions	1,003,640	1,039,152
With donor time restrictions (<i>Note 6</i>)	<u>85,450</u>	<u>96,813</u>
Total net assets	<u>1,089,090</u>	<u>1,135,965</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,141,918</u>	<u>\$ 1,207,958</u>

See accompanying notes to financial statements.

Literacy Now

Statement of Activities for the year ended July 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 1,236,679	\$ 77,250	\$ 1,313,929
Nonfinancial assets (<i>Note 7</i>)	307,194		307,194
Special events:			
Cash and other financial assets	472,576		472,576
Proceeds from sale of donated auction items (<i>Note 7</i>)	61,599		61,599
Direct donor benefits	(115,893)		(115,893)
Program fees	503,499		503,499
Investment return and other income	<u>35,303</u>	<u></u>	<u>35,303</u>
Total revenue	2,500,957	77,250	2,578,207
Net assets released from restrictions:			
Release of time restrictions	38,613	(38,613)	
Program expenditures	<u>50,000</u>	<u>(50,000)</u>	<u></u>
Total	<u>2,589,570</u>	<u>(11,363)</u>	<u>2,578,207</u>
EXPENSES:			
Program services	1,995,331		1,995,331
Management and general	251,784		251,784
Fundraising	<u>377,967</u>		<u>377,967</u>
Total expenses	<u>2,625,082</u>		<u>2,625,082</u>
CHANGES IN NET ASSETS	(35,512)	(11,363)	(46,875)
Net assets, beginning of year	<u>1,039,152</u>	<u>96,813</u>	<u>1,135,965</u>
Net assets, end of year	<u>\$ 1,003,640</u>	<u>\$ 85,450</u>	<u>\$ 1,089,090</u>

See accompanying notes to financial statements.

Literacy Now

Statement of Activities for the year ended July 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 1,148,505	\$ 19,363	\$ 1,167,868
Nonfinancial assets <i>(Note 7)</i>	455,986		455,986
Special events:			
Cash and other financial assets	515,309		515,309
Proceeds from sale of donated auction items <i>(Note 7)</i>	99,490		99,490
Direct donor benefits	(85,893)		(85,893)
Program fees	751,907		751,907
Investment return and other income	<u>25,768</u>	<u></u>	<u>25,768</u>
Total revenue	2,911,072	19,363	2,930,435
Net assets released from restrictions:			
Release of time restrictions	227,500	(227,500)	
Program expenditures	<u>5,500</u>	<u>(5,500)</u>	<u></u>
Total	<u>3,144,072</u>	<u>(213,637)</u>	<u>2,930,435</u>
EXPENSES:			
Program services	2,603,857		2,603,857
Management and general	228,437		228,437
Fundraising	<u>443,138</u>		<u>443,138</u>
Total expenses	<u>3,275,432</u>		<u>3,275,432</u>
CHANGES IN NET ASSETS	(131,360)	(213,637)	(344,997)
Net assets, beginning of year	<u>1,170,512</u>	<u>310,450</u>	<u>1,480,962</u>
Net assets, end of year	<u>\$ 1,039,152</u>	<u>\$ 96,813</u>	<u>\$ 1,135,965</u>

See accompanying notes to financial statements.

Literacy Now

Statements of Functional Expenses for the years ended July 31, 2024 and 2023

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2024 TOTAL
Salaries, taxes, and benefits	\$ 1,508,080	\$ 181,483	\$ 256,570	\$ 1,946,133
Classroom space rental	264,185	625		264,810
Professional fees	76,104	58,569	76,211	210,884
Supplies and office expenses	108,631	4,357	21,841	134,829
Professional development and travel	22,468	2,519	4,050	29,037
Insurance	14,611	2,076		16,687
Subscriptions and dues		1,600	4,841	6,441
Other	<u>1,252</u>	<u>555</u>	<u>14,454</u>	<u>16,261</u>
Total expenses	<u>\$ 1,995,331</u>	<u>\$ 251,784</u>	<u>\$ 377,967</u>	2,625,082
Direct donor benefits				<u>115,893</u>
Total				<u>\$ 2,740,975</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Salaries, taxes, and benefits	\$ 1,954,783	\$ 151,971	\$ 235,095	\$ 2,341,849
Classroom space rental	331,000			331,000
Professional fees	70,522	65,199	136,683	272,404
Supplies and office expenses	177,468	5,141	44,337	226,946
Professional development and travel	50,103	2,089	7,587	59,779
Insurance	14,409	1,709		16,118
Subscriptions and dues		1,440	6,888	8,328
Other	<u>5,572</u>	<u>888</u>	<u>12,548</u>	<u>19,008</u>
Total expenses	<u>\$ 2,603,857</u>	<u>\$ 228,437</u>	<u>\$ 443,138</u>	3,275,432
Direct donor benefits				<u>85,893</u>
Total				<u>\$ 3,361,325</u>

See accompanying notes to financial statements.

Literacy Now

Statements of Cash Flows for the years ended July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (46,875)	\$ (344,997)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(10,394)	(17,876)
Changes in operating assets and liabilities:		
Accounts and other receivables	(43,768)	17,187
Contributions receivable	31,363	219,162
Prepaid expenses and other receivables	(9,667)	3,497
Accounts payable	3,034	(4,188)
Accrued payroll liabilities	(9,899)	5,648
Deferred revenue		(5,000)
Refundable advance	<u>(12,300)</u>	<u>(10,000)</u>
Net cash used by operating activities	<u>(98,506)</u>	<u>(136,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(500,000)	(1,129)
Maturities of certificates of deposit	396,033	
Net change in cash held for investment	223	(484)
Proceeds from sale of investments	<u>65,279</u>	<u>12,467</u>
Net cash provided (used) by investing activities	<u>(38,465)</u>	<u>10,854</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(136,971)	(125,713)
Cash and cash equivalents, beginning of year	<u>861,885</u>	<u>987,598</u>
Cash and cash equivalents, end of year	<u>\$ 724,914</u>	<u>\$ 861,885</u>

See accompanying notes to financial statements.

Literacy Now

Notes to Financial Statements for the years ended July 31, 2024 and 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Making It Better (DBA Literacy Now) is a non-profit corporation incorporated in 2006 under the laws of the State of Texas for the purpose of transforming communities by empowering children and families through literacy, leadership, and life skills. Literacy Now provides reading readiness and reading intervention programs, parent engagement, and trained volunteer mentors for our Lunch Bunch program. Literacy Now operates in 10 Houston Independent School District (HISD) campuses and multiple community sites.

Federal income tax status – Literacy Now is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash equivalents – Cash equivalents include highly liquid investments with original maturities of three months or less. Cash and cash equivalents held for long-term investment are grouped with investments and are excluded from cash and cash equivalents reported in the statements of cash flows.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible contributions receivable is estimated based on management's periodic evaluation of past loss experience and known adverse situations that may affect the donor's ability to pay.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Literacy Now is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as a refundable advance.

Nonfinancial asset contributions – Donated materials and use of facilities are recognized as contributions at estimated fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the events occur. Amounts received in advance are reported as a refundable advance. Direct donor benefits represent the cost of goods and services provided to attendees of special events.

Program fees and accounts receivable are primarily derived from contract services for literacy programs with school districts and community organizations. Program fees are recognized over time as services are provided in amounts that reflects the consideration Literacy Now expects to be entitled to in exchange for those services taking into consideration historical collection trends and consideration of current and future economic trends. All performance obligations related to program fees are satisfied within the fiscal year. Program fees are due in accordance with the scheduled payments outlined in each contract. Program fees collected in advance of the period of services are deferred until performance obligations are met. Deferred revenue totaled \$0, \$0, and \$5,000 at July 31, 2024, 2023 and 2022, respectively. Accounts receivable related to program fees totaled \$44,000, \$0, and \$17,419 at July 31, 2024, 2023 and 2022, respectively. HISD accounted for \$355,499 and \$625,869 of program service fees for fiscal year 2024 and 2023, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Information technology and communications, occupancy and insurance are allocated based on payroll costs.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – 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 July 31 comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 724,914	\$ 861,885
Accounts and other receivables	44,000	232
Contributions receivable due within one year	32,250	46,813
Investments	<u>260,826</u>	<u>211,967</u>
Total financial assets available for general expenditure	<u>\$ 1,061,990</u>	<u>\$ 1,120,897</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Literacy Now considers all expenditures related to its ongoing activities of providing literacy programs, as well as the conduct of services undertaken to support those activities, to be general expenditures.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2024</u>	<u>2023</u>
Demand deposits	\$ 166,555	\$ 861,885
Money market funds	<u>558,359</u>	<u> </u>
Total cash and cash equivalents	<u>\$ 724,914</u>	<u>\$ 861,885</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at July 31, 2024 are expected to be collected as follows:

2025	\$ 32,250
2026	25,000
2027	<u>8,200</u>
Total contributions receivable	<u>\$ 65,450</u>

At July 31, 2024 and 2023, contributions from one donor accounted for approximately 89% of contributions receivable.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are comprised of the following:

	<u>2024</u>	<u>2023</u>
Certificate of deposit	\$ 260,813	\$ 156,846
Cash	13	236
Common stock	<u> </u>	<u>54,885</u>
Total investments	<u>\$ 260,826</u>	<u>\$ 211,967</u>

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at July 31, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Cash and cash equivalents:				
Money market mutual funds	\$ 558,359			\$ 558,359
Investments:				
Certificates of deposit		\$ 260,813		260,813
Total	<u>\$ 558,359</u>	<u>\$ 260,813</u>	<u>\$ 0</u>	<u>\$ 819,172</u>

Assets measured at fair value at July 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Certificates of deposit		\$ 156,846		\$ 156,846
Common stocks	\$ 54,885			54,885
Total	<u>\$ 54,885</u>	<u>\$ 156,846</u>	<u>\$ 0</u>	<u>\$ 211,731</u>

Valuation methods used for assets measured at fair value are as follows:

- *Certificate of deposit* is valued at cost plus accrued interest which approximates fair value.
- *Money market funds* are valued at the published net asset value of shares held at year end.
- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while Literacy Now believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Time restrictions	\$ 85,450	\$ 96,813
Total net assets with donor restrictions	<u>\$ 85,450</u>	<u>\$ 96,813</u>

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets, none of which had donor restrictions, were recognized as follows:

<u>CONTRIBUTED NONFINANCIAL ASSETS</u>	<u>MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES</u>	<u>VALUATION TECHNIQUES AND INPUTS</u>	<u>2024</u>	<u>2023</u>
Donated space	Program – classrooms, parent meeting and training space, office space for program staff	Rent charged for comparable space.	\$ 212,560	\$ 331,000
Auction items for special events	Sold at auction	Proceeds received (from purchasers) at auction.	61,599	99,490
Use of bus	Program – mobile classroom	Average fee charged for charter bus rental.	52,250	24,700
Professional services	\$5,000 Program – PR services; \$15,000 Fundraising – media graphics and website	Comparable vendor rates.	20,000	25,500
Supplies	\$13,371 Program – books, stuffed animals, and school supplies for children; \$2,530 Fundraising – special event supplies	Comparable vendor rates.	15,901	40,779
Legal services	Management and general	Actual hours provided times average rate.	6,483	12,132
Fundraising consultant	Fundraising	Comparable vendor rates.	_____	<u>21,875</u>
Total			<u>\$ 368,793</u>	<u>\$ 555,476</u>

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.