
SACRAMENTO LITERACY FOUNDATION

SACRAMENTO
LITERACY
FOUNDATION



FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT
JUNE 30, 2025 AND 2024

Nelson & Associates, CPA's
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SACRAMENTO LITERACY FOUNDATION
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Management of
Sacramento Literacy Foundation
Sacramento, California

We have reviewed the accompanying financial statements of Sacramento Literacy Foundation (a nonprofit organization), 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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

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

Accountant's Conclusion

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

Report on 2024 Financial Statements

The June 30, 2024 financial statements were audited by us, and we expressed an unmodified opinion in our report dated January 29, 2025. We have not performed any auditing procedures since that date. The June 30, 2024 audited financial statements are presented for comparative purposes.

A handwritten signature in blue ink that reads "Nelson & Associates CPA". The signature is written in a cursive, flowing style.

Elk Grove, CA
March 20, 2026

SACRAMENTO LITERACY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents (Note 3)	\$ 246,270	\$ 335,376
Investments (Note 4 and 5)	242,338	274,524
Contributions receivable (Note 6)	170,399	264,533
Other assets	2,430	2,430
Total Current Assets	661,437	876,863
Non-Current Assets		
Investments (Note 4 and 5)	1,817,236	1,555,941
Contributions receivable, net of discount (Note 6)	602,661	428,830
Right-of-use-asset - operating lease (Note 12)	57,057	75,509
Fixed Assets, net (Note 1)	2,872	2,413
Total Non-Current Assets	2,479,826	2,062,693
Total Assets	\$ 3,141,263	\$ 2,939,556
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 7,971	\$ 22,772
Accrued vacation	10,875	7,923
Current portion of lease obligation - operating (Note 12)	26,312	25,071
Total Current Liabilities	45,158	55,766
Noncurrent Liabilities		
Long-term lease obligation - operating (Note 12)	30,745	50,438
Total Noncurrent Liabilities	30,745	50,438
Total Liabilities	75,903	106,204
Net Assets		
Without donor restrictions (Note 1 and 9)	1,685,313	1,753,048
With donor restrictions (Note 1 and 8)	1,380,047	1,080,304
Total Net Assets	3,065,360	2,833,352
Total Liabilities and Net Assets	\$ 3,141,263	\$ 2,939,556

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 157,601	\$ 348,815	\$ 506,416
Special event revenue	159,183	115,280	274,463
Less direct event expenses	(77,111)	-	(77,111)
Investment income, net	84,185	118,721	202,906
Local grants	30,494	-	30,494
In-kind contributions (Note 13)	8,016	-	8,016
Total Revenue, Support, and Gains	362,368	582,816	945,184
Net assets released from restriction (Note 8)	283,073	(283,073)	-
Total Revenue, Support and Gains	645,441	299,743	945,184
EXPENSES			
Program Services	525,124	-	525,124
Management and general	32,858	-	32,858
Fundraising	155,194	-	155,194
Total Expenses	713,176	-	713,176
Change in net assets	(67,735)	299,743	232,008
Net Assets - Beginning of year	1,753,048	1,080,304	2,833,352
Net Assets - End of year	\$ 1,685,313	\$ 1,380,047	\$ 3,065,360

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 186,406	\$ 175,124	\$ 361,530
Special event revenue	152,382	115,085	267,467
Less direct event expenses	(78,765)	-	(78,765)
Investment income, net	96,289	125,133	221,422
Grants	89,447	-	89,447
In-kind contributions (Note 13)	9,400	-	9,400
Total Revenue, Support, and Gains	455,159	415,342	870,501
Net assets released from restriction (Note 8)	326,011	(326,011)	-
Total Revenue, Support and Gains	781,170	89,331	870,501
EXPENSES			
Program Services	535,477	-	535,477
Management and general	25,107	-	25,107
Fundraising	149,084	-	149,084
Total Expenses	709,668	-	709,668
Change in Net Assets	71,502	89,331	160,833
Net Assets - Beginning of year	1,681,546	990,973	2,672,519
Net Assets - End of year	\$ 1,753,048	\$ 1,080,304	\$ 2,833,352

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Salaries and benefits	\$ 212,871	\$ 20,987	\$ 65,960	\$ -	\$ 299,818
Advertising and promotion	-	-	17,078	-	17,078
Bank charges	4,026	397	1,248	-	5,671
Books in kids' homes	171,346	-	-	-	171,346
Cost of direct benefits to donors	-	-	-	77,111	77,111
Depreciation	864	85	268	-	1,217
Donor database	-	-	3,575	-	3,575
Dues, subscriptions and education	2,239	221	694	-	3,154
Education	2,016	199	625	-	2,840
Grants	30,249	-	-	-	30,249
In-kind	8,016	-	-	-	8,016
Insurance	7,296	719	2,261	-	10,276
Literacy Festival	6,160	-	-	-	6,160
Literacy Map	14,275	-	-	-	14,275
Meetings	2,765	273	857	-	3,895
Miscellaneous	2,061	222	697	-	2,980
Occupancy and storage	20,663	2,037	6,403	-	29,103
Office supplies	6,151	606	1,906	-	8,663
Postage and shipping	-	-	9,414	-	9,414
Printing and publications	-	-	18,036	-	18,036
Professional services:					
Accounting	11,518	1,136	3,569	-	16,223
Audit	12,141	1,197	3,762	-	17,100
Grant writer	-	-	15,600	-	15,600
Legal	-	3,747	-	-	3,747
Payroll	1,129	111	350	-	1,590
Technology	6,097	601	1,889	-	8,587
Telephone	1,969	194	610	-	2,773
Travel	<u>1,272</u>	<u>126</u>	<u>392</u>	<u>-</u>	<u>1,790</u>
	525,124	32,858	155,194	77,111	790,287
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,111)</u>	<u>(77,111)</u>
Total expenses included in expense section on the statement of activities	<u>\$ 525,124</u>	<u>\$ 32,858</u>	<u>\$ 155,194</u>	<u>\$ -</u>	<u>\$ 713,176</u>

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total</u>
Salaries and benefits	\$ 161,245	\$ 15,897	\$ 49,963	\$ -	\$ 227,105
Advertising and promotion	-	-	7,391	-	7,391
Bad debt	-	-	1,800	-	1,800
Bank charges	475	47	4,456	-	4,978
Cost of direct benefits to donors	-	-	-	78,765	78,765
Depreciation	536	53	166	-	755
Donor database	-	-	4,069	-	4,069
Dues, subscriptions and education	2,252	222	698	-	3,172
Education	1,120	110	347	-	1,577
Grants	73,100	-	-	-	73,100
In-Kind	-	-	9,400	-	9,400
Insurance	6,902	680	2,139	-	9,721
Literacy Festival	6,558	-	-	-	6,558
Literacy map	45,855	-	-	-	45,855
Literacy Summits	8,829	-	-	-	8,829
Meetings	4,218	416	1,307	-	5,941
Miscellaneous	816	77	2,635	-	3,528
Occupancy and storage	19,613	1,934	6,077	-	27,624
Office supplies	5,467	539	1,694	-	7,700
Postage and shipping	-	-	7,798	-	7,798
Printing and publications	-	-	25,261	-	25,261
Promise Zone	160,147	-	-	-	160,147
Professional services:					
Accounting	8,663	854	2,684	-	12,201
Audit	13,277	1,309	4,114	-	18,700
Grant writer	-	-	12,000	-	12,000
Legal	-	1,351	-	-	1,351
Payroll	981	97	304	-	1,382
Technology	9,532	940	2,956	-	13,428
Telephone	4,086	403	1,266	-	5,755
Travel	1,805	178	559	-	2,542
	<u>535,477</u>	<u>25,107</u>	<u>149,084</u>	<u>78,765</u>	<u>788,433</u>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,765)</u>	<u>(78,765)</u>
Total expenses included in expense section on the statement of activities	<u>\$ 535,477</u>	<u>\$ 25,107</u>	<u>\$ 149,084</u>	<u>\$ -</u>	<u>\$ 709,668</u>

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

SACRAMENTO LITERACY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 and 2024

	2025	2024
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 232,008	\$ 160,833
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	1,217	755
Unrealized gain on investments	(161,889)	(182,133)
Change in operating assets and liabilities:		
Contributions receivable	(79,697)	122,694
Other assets	-	(102)
Accounts payable	(14,804)	14,632
Accrued vacation	<u>2,952</u>	<u>(2,510)</u>
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	<u>(20,213)</u>	<u>114,169</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(1,676)	(2,204)
Purchase of investments	(67,217)	(470,974)
Proceeds from sales and maturities used for investments	<u>-</u>	<u>233,765</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(68,893)</u>	<u>(239,413)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(89,106)</u>	<u>(125,244)</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>335,376</u>	<u>460,620</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 246,270</u>	<u>\$ 335,376</u>

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

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Sacramento Literacy Foundation (the Foundation) is a California nonprofit public benefit corporation incorporated on June 11, 1984. Through September 2020, the operations of the Foundation were focused on raising funds for the Sacramento Public Library Authority, a joint Powers Authority between the County of Sacramento and the cities of Citrus Heights, Galt, Isleton, Elk Grove, Rancho Cordova, and Sacramento. Since September 2020, the Foundation's primary activity is to develop strategies to raise funds for literacy programs and initiatives in the Sacramento Region.

The Foundation's mission includes supporting and/or creating systems and programs that increase literacy in the community by raising private funds. The Foundation's activities include endowment building, Authors on the Move annual event, the Literacy Family Festival annual event, and the Community Literacy Map. The Foundation has been working on expanding and diversifying its literacy program partners and expects to have additional literacy activities in future years.

Authors on the Move gives guests an evening of literary engagement through direct dialogue with up to 24 regional authors during an evening of fine dining. Guests have the opportunity to purchase the most recent book of each author. During the live auction guests can contribute to literacy programming. Authors on the Move was held on March 9, 2024.

The Literacy Family Festival raises awareness of Sacramento's literacy challenges while connecting families to valuable educational resources. Through the event, parents can learn about and access literacy programs and support services for their children. Revenue and expenses related to the Festival are recorded as net assets with donor restrictions.

The Literacy Map is designed to track and illustrate progress on key literacy indicators within Sacramento County over time, while identifying areas where literacy resources and interventions are most needed. In 2022, the map's baseline data was expanded to include affordable and public housing sites across Sacramento County as well as all elementary schools throughout California.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and are available for general operations.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and /or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Investments

Investments are carried at estimated fair market value on the statement of financial position. Fair values of investments are estimated based on quoted market prices where available. Net investment income (Loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Contributions Receivable and Allowances for Credit Losses

Unconditional promises to give are recorded as contributions receivable and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions to be received in future periods are discounted at an appropriate rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

The Foundation evaluates contributions receivable for collectibility. Management considers historical collection experience, the creditworthiness of donors, the aging of receivables, current economic conditions, and other relevant factors in estimating any allowance for uncollectible contributions. Based on this evaluation, management has concluded that no allowance for uncollectible contributions receivable is necessary as of June 30, 2025 and 2024. Historically, the Foundation has experienced no material losses on contributions receivable. Management will continue to monitor receivable balances and assess collectibility on an ongoing basis.

Fixed Assets

Acquisitions of fixed assets of \$1,000 or more are capitalized. Fixed assets are recorded at acquisition cost, or at estimated fair market value as of the date of donation. Depreciation expense is provided on a straight-line basis over the estimated useful life of the respective asset, ranging from 3 to 5 years. Maintenance and repairs are charged to expenses as incurred.

Fixed assets consists of the following at June 30, 2025 and 2024:

	<u>Useful Life</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Equipment and Software	3-5 years	\$ 13,294	\$ 11,618
Accumulated Depreciation		<u>(10,422)</u>	<u>(9,205)</u>
Fixed Assets, net:		<u>\$ 2,872</u>	<u>\$ 2,413</u>

Depreciation expense for the years ended June 30, 2025 and 2024 amounted to \$1,217 and \$755, respectively.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Contributions are recognized in full when received or unconditionally promised. All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase the respective class of net assets. Contributions received with restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Grant revenue is recognized as qualifying expenditures are incurred and grant conditions are met; amounts received in advance are recorded as refundable advances until earned.

Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Special event revenue is recognized in the period the event is held.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as support without donor restrictions unless donor stipulations specify how donated assets must be used. The Foundation recognizes the fair value of contributed services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributions of tangible assets are recorded at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. See Note 13.

Functional Expense Allocation

The costs of providing the program and supporting services have been summarized on a functional basis in the Statements of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated based on employees' time incurred and management's estimate of the usage of resources. The expenses that are allocated include salaries and benefits, bank charges, depreciation, other, consultants, education, travel, dues and subscriptions telephone, meetings, office, insurance, and occupancy and storage.

Income Taxes

The Foundation is organized as a California not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, it is not obligated to pay federal or state corporate income taxes unless its unrelated business income as defined by the Internal Revenue Service Code, exceeds \$1,000. The Foundation did not generate unrelated business income and is, therefore, not subject to federal or state corporate income taxes for the years ended June 30, 2025 and 2024. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as other than a private foundation under Section 509(a)(2).

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and the difference could be material.

Leases

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Subsequent Events

Subsequent events have been evaluated through February 20, 2026, which is the date the financial statements were available to be issued.

NOTE 2: LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Foundation also receives gifts to establish and/or grow endowments that will exist in perpetuity, the income generated from such endowments is used to support Children Literacy programs and Foundation operations. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 77% of operating needs and is generated through direct mail and an annual gala event, *Authors on the Move*. The remaining operations budget is funded by management fees from endowments as well as investment income from Foundation's Operations Endowment. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation considers investment income without donor restrictions, appropriated earnings from board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and community grants.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability.
- Maintain adequate liquid assets, and
- Maintain sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation has established grant cycles for the Children's Literacy Endowment. The Foundation reviews its liquidity monthly in order to maintain financial assets available to meet general expenditures. The Foundation maintains an operating reserve of 6 months of annual expenses for administrative, general, and fundraising expenses. Additionally, the Foundation holds board designated assets that in the case of an emergency, could be withdrawn from endowments and used for operations and grant commitments.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2: LIQUIDITY AND AVAILABILITY (CONTINUED)

The following table is updated monthly for the Board of Directors to review.

	June 30, 2025	June 30, 2024
Cash and cash equivalents	\$ 246,270	\$ 335,376
Investments	2,059,574	1,830,465
Contributions receivable - current	170,399	264,533
Total	\$ 2,476,243	\$ 2,430,374
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	(112,409)	(165,952)
Restricted by donors into perpetuity	(1,267,638)	(914,632)
Total financial assets available to management for general expenditure within one year	\$ 1,096,196	\$ 1,349,790

As of June 30, 2025 and 2024, the Foundation had approximately 25 months of available cash to cover operations in the event of a crisis, which includes board-designated endowment amounts of \$1,053,911 and \$1,008,313, respectively, that could be withdrawn and redirected if necessary.

The Liquidity of the Foundation has been closely monitored and managed by the Foundation's management since the 2008 market collapse.

NOTE 3: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The balance in cash and cash equivalents at June 30, 2025 and June 30, 2024 consisted of the following:

	June 30, 2025	June 30, 2024
Cash and cash equivalents	\$ 67,317	\$ 187,543
Cash and cash equivalents - Held in endowment investment accounts	178,953	147,833
Total cash and cash equivalents	\$ 246,270	\$ 335,376

The Foundation maintains bank accounts at several reputable financial institutions. Cash held in bank accounts is insured by the Federal Deposit Insurance Corporation (FDIC), and cash and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC), subject to applicable coverage limits. As of June 30, 2025, the Foundation's bank and investment account balances totaled \$261,032, of which \$79,572 was covered by FDIC and/or SIPC insurance. As of June 30, 2024, the Foundation's bank and investment account balances totaled \$333,743, of which \$185,910 was covered by FDIC and/or SIPC insurance.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4: INVESTMENTS

Investment securities are reported in the financial statements at fair market value and consisted of the following at June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Current Investments:		
Exchange-traded funds	\$ 165,066	\$ 233,037
Bonds	<u>77,272</u>	<u>41,487</u>
Total current Investments	<u>\$ 242,338</u>	<u>\$ 274,524</u>
Non-current investments:		
Endowments:		
Exchange-traded funds	\$ 1,207,985	\$ 1,038,656
Bonds	<u>609,251</u>	<u>517,285</u>
Total endowments	<u>1,817,236</u>	<u>1,555,941</u>
Total Investments	<u>\$ 2,059,574</u>	<u>\$ 1,830,465</u>

The following schedule summarizes the investment activity reported in the statements of activities:

	June 30, 2025	June 30, 2024
Interest and Dividends	\$ 60,561	\$ 55,884
Realized and Unrealized Gains (Losses)	161,889	182,133
Investment Fees	<u>(19,544)</u>	<u>(16,595)</u>
Net Investment Income	<u>\$ 202,906</u>	<u>\$ 221,422</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5: FAIR VALUE MEASUREMENTS

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices observable for the asset, and market-corroborated inputs.
Level 3	Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

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

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

All of the Foundation's investment assets are classified within Level 1 because they comprise open-end mutual funds and fixed income securities with readily determinable fair values based on daily redemption values. The Foundation has no Level 2 or 3 investments.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value on a recurring basis as of June 30, 2025 and 2024.

Assets at Fair Value as of June 30, 2025	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	\$ 1,373,051	\$ -	\$ -	\$ 1,373,051
Fixed Income Securities	<u>686,523</u>	<u>-</u>	<u>-</u>	<u>686,523</u>
Total assets at fair value	<u>\$ 2,059,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,059,574</u>

SACRAMENTO LITERACY FOUNDATION
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JUNE 30, 2025 AND 2024

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

Assets at Fair Value as of June 30, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	\$ 1,271,693	\$ -	\$ -	\$ 1,271,693
Fixed Income Securities	<u>558,772</u>	<u>-</u>	<u>-</u>	<u>558,772</u>
Total assets at fair value	<u>\$ 1,830,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,830,465</u>

NOTE 6: CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be realized in the following periods:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
In one year or less	\$ 170,399	\$ 264,533
Between one and four years	661,780	466,667
Less discount to net present value	<u>(59,119)</u>	<u>(37,837)</u>
Contributions receivable, net	<u>\$ 773,060</u>	<u>\$ 693,363</u>

Contributions receivable are reported as follows in the Statement of Financial Position:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Contributions receivable	\$ 170,399	\$ 264,533
Contributions receivable, net of discount	<u>602,661</u>	<u>428,830</u>
Contributions receivable, net	<u>\$ 773,060</u>	<u>\$ 693,363</u>

Contributions receivable with expected payments extending beyond one year have been evaluated using a discount rate of 2.82% as of June 30, 2025 and 2024. The discount amounts calculated were \$59,119 and \$37,837 as of June 30, 2025 and 2024, respectively. Management has determined that the contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is recorded at June 30, 2025, and June 30, 2024.

NOTE 7: CONCENTRATION OF RISK

As of June 30, 2025, approximately 81% of contributions receivable was from a single supporter. As of June 30, 2024, the same supporter accounted for approximately 96% of accounts receivable.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	June 30, 2025	June 30, 2024
Endowments:		
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
SLF Operations	\$ 63,494	\$ 30,593
Children Literacy	<u>1,204,144</u>	<u>883,769</u>
Endowments Total	<u>\$ 1,267,638</u>	<u>\$ 914,362</u>
Subject to expenditure for a specified purpose:		
Programs:		
Books in the Home	\$ 86,615	\$ 106,095
Literacy Grants	350	200
Literacy Summit	4,774	870
Promise Zone	-	1,086
Summer Reading 2	17,375	9,012
Tech Teens	-	45,016
Walk4Literacy	<u>3,295</u>	<u>3,663</u>
Programs Total	<u>112,409</u>	<u>165,942</u>
Total net assets with donor restrictions	<u>\$ 1,380,047</u>	<u>\$ 1,080,304</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions as follows:

	June 30, 2025	June 30, 2024
Subject to expenditure for a specified purpose:		
Programs:		
Books in the Home	\$ 202,627	\$ 180,674
Literacy Grants	-	11,542
Literacy Summit	2,096	27,393
Literacy Map	1,188	42,980
Promise Zone	1,086	322
Summer Reading 2	31,051	43,100
Tech Teens	<u>45,025</u>	<u>20,000</u>
Total net assets released from donor restrictions	<u>\$ 283,073</u>	<u>\$ 326,011</u>

NOTE 9: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	June 30, 2025	June 30, 2024
Without donor restrictions:		
Board designated endowments:		
SLF Operations	\$ 640,498	\$ 594,900
Children's Literacy	<u>188,413</u>	<u>188,413</u>
Endowments total	<u>828,911</u>	<u>783,313</u>
Board designated reserves	225,000	225,000
Undesignated	<u>631,402</u>	<u>744,735</u>
Total net assets without donor restrictions	<u>\$ 1,685,313</u>	<u>\$ 1,753,048</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10: ENDOWMENTS

The Foundation manages two endowments, the Children's Literacy Endowment and the Operations Endowment.

The Children's Literacy Endowment directly benefits community organizations that deliver summer reading programming and submit a successful grant application. The Operations Endowment directly benefits the Foundation's operations and seeks to create operational stability. These endowments include certain net assets without donor restrictions that have been designated for endowments by the Board of Directors. The Board of Directors has implemented policies and procedures that guide it to direct all unrestricted bequest gifts to endowments when possible. These gifts will make contributions to the Sacramento community in perpetuity - a fitting approach to an individual's final gift. The Board is aware that board designated endowment funds can be re-directed at any time the Board deems necessary.

The Board of Directors of the Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation to the fair value of the original gift as of the first distribution of said endowment, unless there are explicit donor stipulations to the contrary. At June 30, 2025 and 2024, there were no such donor stipulations.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2025 and 2024 none of the endowments held by the Foundation were underwater.

Investment and Spending Policies

The Foundation adopted investment and spending policies for their endowments that provide a predictable stream of funding for the community and the Foundation while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through an asset allocation that achieves both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation uses an endowment spending-rate formula to determine the amount to spend from the endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the endowment investments for the prior three years in April of each year to determine the distribution for the current year. In establishing this policy, the long-term expected return on the endowment was considered and the rate set with the objective of maintaining the purchasing power of the endowment over time and maintaining the level of support distributed annually to the Library.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10: ENDOWMENTS (CONTINUED)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Board designated endowment funds	\$ 828,911	\$ -	\$ 828,911
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,044,629	1,044,629
Accumulated investment gains (losses)	<u>40,156</u>	<u>223,009</u>	<u>263,165</u>
Total	<u>\$ 869,067</u>	<u>\$ 1,267,638</u>	<u>\$ 2,136,705</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 783,313	\$ 914,362	\$ 1,697,675
Contributions	78,500	251,790	330,290
Investment income	14,240	33,211	47,451
Net appreciation	50,642	99,664	150,306
Investment fees	(6,324)	(10,654)	(16,978)
Transfers out of endowment	<u>(51,304)</u>	<u>(20,735)</u>	<u>(72,039)</u>
Endowment net assets, end of year	<u>\$ 869,067</u>	<u>\$ 1,267,638</u>	<u>\$ 2,136,705</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10: ENDOWMENTS (CONTINUED)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Board designated endowment funds	\$ 753,911	\$ -	\$ 753,911
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	759,938	759,938
Accumulated investment gains (loss)	<u>29,402</u>	<u>154,424</u>	<u>183,826</u>
Total	<u>\$ 783,313</u>	<u>\$ 914,362</u>	<u>\$ 1,697,675</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 513,911	\$ 817,926	\$ 1,331,837
Contributions	240,000	-	240,000
Investment income	13,101	31,871	44,972
Net appreciation	43,890	102,715	146,605
Investment fees	(3,674)	(9,452)	(13,126)
Transfers per Settlement Agreement	<u>(23,915)</u>	<u>(28,698)</u>	<u>(52,613)</u>
Endowment net assets, end of year	<u>\$ 783,313</u>	<u>\$ 914,362</u>	<u>\$ 1,697,675</u>

NOTE 11: EMPLOYEE BENEFIT PLAN

The Foundation has a Saving Incentive Match Plan for Employees of Small Employers (the Plan). The Plan covers all employees. Under the terms of the Plan, the Foundation matches employee contributions dollar for dollar up to a maximum of 3% of compensation. Contributions to the Plan for the years ended June 30, 2025 and 2024 totaled \$6,475 and \$5,677, respectively.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12: OPERATING LEASE

The Foundation leases office space under a long-term non-cancelable operating lease agreement expiring November of 2027. The Foundation includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments.

The Foundation evaluated its current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Foundation's right to use underlying assets for the lease term, and the lease liabilities represent the Foundation's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, which arise from one operating lease, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an accounting policy election to use a risk-free rate of 3% as of June 30, 2025 and 2024, in lieu of its incremental borrowing rate to discount future lease payments. The Foundation has applied the risk-free rate option to all classes of assets.

The Foundation has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Foundation has no short term leases.

Total right-of-use assets and lease liabilities at June 30, 2025 and 2024 are as follows:

<u>Lease Assets - Classification in Statement of Financial Position</u>	<u>2025</u>	<u>2024</u>
Operating right-of-use assets	\$ <u>57,057</u>	\$ <u>75,509</u>
Total leased right-of-use assets	\$ <u><u>57,057</u></u>	\$ <u><u>75,509</u></u>
<u>Lease Liabilities - Classification in Statement of Financial Position</u>	<u>2025</u>	<u>2024</u>
Current portion of lease obligation	\$ 26,312	\$ 25,071
Long-term lease obligation	<u>30,745</u>	<u>50,438</u>
Total lease liabilities	\$ <u><u>57,057</u></u>	\$ <u><u>75,509</u></u>

Total lease costs for the years ended June 30, 2025 were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ <u>25,839</u>	\$ <u>24,624</u>
Total lease cost	\$ <u><u>25,839</u></u>	\$ <u><u>24,624</u></u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12: OPERATING LEASE (CONTINUED)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of

	June 30,	Total
	2026	26,512
	2027	26,276
	2028	8,932
Total lease payments		61,720
Less present value discount		(4,663)
Present value of lease liabilities		\$ 57,057

NOTE 13: IN-KIND CONTRIBUTIONS

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized in the statements of activities included the following:

	2025	2024
Donated auction items	\$ 8,016	\$ 9,400
Total	\$ 8,016	\$ 9,400

Contributed auction items are valued at the sale price received during the auction on the day of the event. Contributed auction items are used in Authors on the Move.

All gifts-in-kind received during the years ended June 30, 2025 and 2024 were unrestricted, unless noted otherwise.