

LITERACY COUNCIL OF READING – BERKS, INC.

**FINANCIAL STATEMENTS & AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025**

LITERACY COUNCIL OF READING-BERKS, INC.
(A Nonprofit Corporation)

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***We Want to Help
Our Clients Achieve
What They Want in Life
and Have Fun Doing It.***

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Literacy Council of Reading-Berks, Inc.

Opinion

We have audited the accompanying financial statements of Literacy Council of Reading-Berks, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net position-modified cash basis as of December 31, 2025, and the related statements of receipts, disbursements and changes in net position- modified cash basis for the year 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 respective modified cash basis net position of as of December 31, 2025, and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Literacy Council of Reading-Berks, Inc. and to meet our other ethical responsibilities in accordance with the 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 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 Council of Reading-Berks, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Emphasis of Matter—Basis of Accounting

We draw attention to Notes 1 and 12 of the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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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 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 Council of Reading-Berks, Inc.'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 Council of Reading-Berks, Inc.'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.



Pottsville, PA 17901

L. Samuel Deegan, CPA, P.C.

September 24, 2026

LITERACY COUNCIL OF READING-BERKS, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED CASH BASIS
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 352,751	\$ 56,343
Investments	93,168	158,422
Land, Building, and Equipment (Net of Accumulated Depreciation)	<u>248,525</u>	<u>140,578</u>
TOTAL ASSETS	<u><u>\$ 694,444</u></u>	<u><u>\$ 355,343</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of Credit	\$ -	\$ 23,525
Credit Card payable	<u>140</u>	<u>-</u>
TOTAL LIABILITIES	<u>140</u>	<u>23,525</u>
 NET ASSETS		
With Donor Restrictions	-	-
Without Donor Restrictions	<u>694,304</u>	<u>331,818</u>
Total Net Assets	<u>694,304</u>	<u>331,818</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 694,444</u></u>	<u><u>\$ 355,343</u></u>

See Notes to Financial Statements

LITERACY COUNCIL OF READING-BERKS, INC.
STATEMENT OF SUPPORT, REVENUES, EXPENSES
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Changes in Net Assets Without Donor Restrictions		
Support:		
Contributions/Donations	\$ 235,495	\$ 280,468
Projects/Special Events	<u>40,180</u>	<u>37,748</u>
Total Support	<u>275,675</u>	<u>318,216</u>
Revenues:		
Outreach Literacy / Fees for Service	336,306	318,011
Government Grant	290,500	123,261
Realized Gains on Investments	23,564	
Gains on the sale of 35 S. Dwight St. Building	348,144	
Investment Income	237	37,757
Sale of Tutor Supplies	294	455
Total Revenues	<u>999,045</u>	<u>479,484</u>
Total Revenues and Support	<u>1,274,720</u>	<u>797,700</u>
Expenses:		
Program Services:		
Tutoring	802,216	740,390
Supporting Services:		
Management and General	83,773	41,833
Fundraising	<u>26,245</u>	<u>19,181</u>
Total Expenses	<u>912,234</u>	<u>801,404</u>
Increase (Decrease) in Net Assets Without Donor Restriction	362,486	(3,704)
Net Assets at Beginning of the Year	<u>331,818</u>	<u>335,522</u>
Net Assets at End of the Year	<u><u>\$ 694,304</u></u>	<u><u>\$ 331,818</u></u>

See Notes to Financial Statements

LITERACY COUNCIL OF READING - BERKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL EXPENSES	
	Tutoring	Management and General	Fundraising	Total		
Salaries	\$ 448,843	\$ 8,045	\$ 1,420	\$ 9,464	\$	458,307
Payroll Taxes	37,566	769	115	884		38,452
Employee Benefits	39,112	801	120	921		40,033
Total Salaries and Related Expenses	525,521	9,614	1,655	11,269		536,791
Building Maintenance	13,157	1,645	1,645	3,289		16,446
Copier Lease		4,765		4,765		4,765
Program Supplies and Expenses	161,011	-	-	-		161,011
Utilities	6,716	1,679	-	1,679		8,395
Professional Development	17,234	-	-	-		17,234
Accounting, Audit, and Payroll Fees	-	34,667	-	34,667		34,667
Fees for Citizenship	-	-	-	-		-
Telephone	4,524	1,131	-	1,131		5,655
Postage	916	916	-	916		1,831
Donor Relations	-	-	1,169	1,169		1,169
Admin Expenses	20,210	20,210	-	20,210		40,420
Projects	-	-	15,160	15,160		15,160
Bank Fees, Interest Expense, and Miscellaneous Charges	-	2,531	-	2,531		2,531
Total Operating Expenses Before Depreciation	749,289	77,158	19,629	96,787		846,075
Depreciation	52,927	6,616	6,616	13,232		66,159
Total Operating Expenses	802,216	83,773	26,245	110,018		912,234

LITERACY COUNCIL OF READING - BERKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL EXPENSES
	Tutoring	Management and General	Fundraising	Total	
Salaries	\$ 432,379	\$ 8,640	\$ 1,525	\$ 10,165	\$ 442,544
Payroll Taxes	34,638	709	106	815	35,453
Employee Benefits	24,319	498	75	572	24,891
Total Salaries and Related Expenses	491,335	9,847	1,706	11,553	502,888
Building Maintenance	20,920	2,615	2,615	5,230	26,150
Program Supplies and Expenses	143,890	-	-	-	143,890
Utilities	4,518	1,129	-	1,129	5,647
Professional Development	46,675	-	-	-	46,675
Accounting, Audit, and Payroll Fees	-	19,980	-	19,980	19,980
Fees for Citizenship	5,000	-	-	-	5,000
Telephone	6,214	1,554	-	1,554	7,768
Postage	727	727	-	727	1,454
Office Supplies	1,748	1,748	-	1,748	3,495
Projects	-	-	12,440	12,440	12,440
Bank Fees, Interest Expense, and Miscellaneous Charges	-	1,813	-	1,813	1,813
Total Operating Expenses Before Depreciation	721,027	39,413	16,761	56,173	777,200
Depreciation	19,363	2,420	2,420	4,841	24,204
Total Operating Expenses	740,390	41,833	19,181	61,014	801,404

LITERACY COUNCIL OF READING-BERKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Literacy Council of Reading-Berks, Inc. (LCRB) is a non-profit organization established to teach reading and writing, oral and auditory English skills, and their application in daily living to the English and Non-English-speaking adult population of Berks County. The Organization is supported mainly through donor contributions, grants, and the United Way.

Basis of Accounting

In 2023, management adopted a policy of preparing its financial statements on the basis of accounting that it uses in its day-to-day operations, the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, receipts, and disbursements when they result from cash transactions, except for:

- Capital Assets are recorded as cash disbursed for acquisition. Then they are depreciated over the estimated useful life of the Capital Asset.
- Debt related to Capital Assets is reported as a liability as incurred. Then payments of principal reduce the related liability.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two net asset classes:

Net Assets Without Donor Restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets with Donor Restrictions consists of assets whose use is limited by donor-imposed, time and or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

LITERACY COUNCIL OF READING-BERKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Statement Presentation (Cont'd)

On December 31, 2025, and December 31, 2024, there were no *Net Assets with Donor Restrictions*.

Land, Buildings and Equipment

All expenditures relating to land, buildings and equipment and the fair value of donated assets are capitalized at cost. Depreciation is computed over the estimated useful lives of assets.

Investments

Investments in marketable securities are recorded at fair market value and not cost. This is a modification from the cash basis.

Cash and Cash Equivalents

The Organization considers all amounts in checking and savings accounts as cash and does not include amounts held in investment accounts.

Advertising

The organization expenses all advertising as incurred.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Examples are estimated useful life of assets used in computing depreciation. Accordingly, actual results may differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activity and in the statement of functional expenses. Accordingly, certain costs have been allocated among departments and programs. The general approach of LCRB in allocating costs to departments, grants, and contracts is as follows: All allowable direct costs are charged directly to departments using staff salary expense/hours as the basis for the allocation.

LITERACY COUNCIL OF READING-BERKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

Expense Allocation (Cont'd)

Allowable direct costs that can be identified to more than one program is further prorated individually using staff expense/hours of the program to the total department salary/hours as the base most appropriate to the cost being prorated.

NOTE 2: LAND, BUILDING, AND EQUIPMENT DEPRECIATION

Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of assets. As of December 31, 2025, the basis of such assets was as follows:

	Balance on January 1, 2025	Additions and Transfers	Deletions and Transfers	Balance on December 31, 2025
Building Improvements	\$ 172,898	-	\$(172,898)	\$ -
Buildings	271,606	-	(271,606)	-
Equipment	62,082	\$290,500	(37,092)	315,490
Totals	506,586	290,500	(481,596)	315,490
Accumulated Depreciation	(366,008)	(66,159)	365,202	(66,965)
Total	\$ 140,578	\$224,341	\$(116,394)	\$ 248,525

Depreciation is computed using the straight-line method rates based on the following useful lives:

	<u>Years</u>
Land and Buildings	30
Building Improvements	15
Equipment	5 - 7

Depreciation expense recorded during 2025 totaled \$66,159.

LITERACY COUNCIL OF READING-BERKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2: LAND, BUILDING, AND EQUIPMENT DEPRECIATION (CONT'D)

Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of assets. As of December 31, 2024, the basis of such assets was as follows:

	Balance on January 1, 2024	Additions and Transfers	Deletions and Transfers	Balance on December 31, 2024
Building Improvements	\$ 172,898	-	-	\$ 172,898
Buildings	271,606	-	-	271,606
Equipment	62,082	-	-	62,082
Totals	506,586	-	-	506,586
Accumulated Depreciation	(341,804)	\$(24,204)	-	(366,008)
Total	\$ 164,782	\$(24,204)	-	\$ 140,578

Depreciation is computed using the straight-line method rates based on the following useful lives:

	<u>Years</u>
Land and Buildings	30
Building Improvements	15
Equipment	5 - 7

Depreciation expense recorded during 2024 totaled \$24,204.

LITERACY COUNCIL OF READING-BERKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3: INVESTMENTS

The Organization held \$158,423 on December 31, 2025, in investments. Investments are stated at their fair market value.

Investments are considered Level 1 on the fair value hierarchy. Level 1 fair value measurement is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These provide the most reliable evidence and are used to measure fair value whenever available.

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended:

	December 31, 2025, Without Donor Restrictions	December 31, 2024, Without Donor Restrictions
Interest and dividend income- net	\$ 23,801	\$ 3,249
Net realized gain	23,564	8,257
Net unrealized gain	-	26,251
Total investment return	<u>\$ 47,365</u>	<u>\$ 37,757</u>

NOTE 4: LINE OF CREDIT

Line of Credit

The Organization opened a \$28,000 line of credit during April of 2022. The outstanding balance on December 31, 2025, and 2024 totaled \$0 and \$23,511, respectively. The interest rate on the line of credit is variable and based on an index value plus 1%. The current rate of interest on December 31, 2025, is 8.5%.

NOTE 5: GOVERNMENT GRANTS

The Organization directly receives a federal grant from the Department of Homeland Security. The original grant was in the amount of \$250,000 and received over a two-year period. The amounts received in 2025 and 2024 were \$0 and \$123,261, respectively.

LITERACY COUNCIL OF READING-BERKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5: GOVERNMENT GRANTS (CONT'D)

On November 21, 2024, LCRB was formally awarded a grant from the Pennsylvania Broadband Development Authority regarding the ARPA Capital Projects Fund Digital Connectivity Technology Program, which included an allotment of 100 laptop devices. This award is fully contingent upon the finalization agreement between the Literacy Council of Reading-Berks, Inc. and the Pennsylvania Broadband Development Authority which has been completed.

The Literacy Council of Reading-Berks, Inc. plans to address the critical need to develop essential literacy skills through the use of the laptops awarded through the ARPA Capital Projects Fund Digital Connectivity Technology Program. The Digital Navigator will work with the ESL adult students to teach them essential literacy skills to help close the divided of illiteracy. The Literacy Council of Reading-Berks Inc. received a total of 100 laptops at a market value of \$2,905 per laptop.

NOTE 6: OUTREACH LITERACY FEE FOR SERVICE

The Organization contracts with Reading Area Community College and local businesses to provide literacy services.

NOTE 7: INCOME TAXES

The Organization is organized and registered under the Internal Revenue Code Section 501(c)(3) and the Pennsylvania Charitable Funds Act. Under these Federal and State regulations, the Organization is exempt from Federal and state corporate income taxes.

NOTE 8: CONCENTRATION OF CREDIT RISK

The Organization maintains an account with one stock brokerage firm. The accounts contain cash and securities. Balances are fully covered (with a limit of \$100,000 for cash) by Securities Investor Protection Corporation (SIPC). As of December 31, 2025, and 2024 respectively, there is no excess in cash. Checking accounts held in financial institutions are fully insured by the FDIC.

NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization must maintain adequate resources to meet the needs of the organization's general expenditures within one year. As part of its liquidity management, LCRB has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. LCRB invests cash not needed for daily use in mutual funds.

LITERACY COUNCIL OF READING-BERKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (Cont'd)

Financial assets are available for general expenditure, that is without donors or other restrictions, limiting their use, within one year of the balance sheet date, comprises the following:

	<u>2025</u>	<u>2024</u>
Checking	\$ 352,751	\$ 56,343
Money Market Funds and Stocks	<u>93,168</u>	<u>158,443</u>
Total	<u>\$ 445,919</u>	<u>\$ 214,786</u>

NOTE 10: OPERATING LEASES

The Organization leases copier equipment under various non-cancelable agreements that expire annually and require various minimum annual rentals. Total rent/lease expense for the years ended December 31, 2025, and 2024, totaled \$4,765 and \$4,978, respectively.

NOTE 11: COMPENSATED ABSENCES

Employees of the organization are entitled to paid vacation, sick days, and personal days off, depending on length of service. No provision has been made for the cost of vacation or sick time available because the company maintains a "use it or lose it" policy.

NOTE 12: SUBSEQUENT EVENTS

Management has considered subsequent events through September 24, 2026, the date of the financial statements.