MAKE WAY FOR BOOKS

AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2026 and 2025

JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Make Way For Books
Tucson, Arizona

Opinion

I have audited the accompanying financial statements of Make Way For Books (an Arizona nonprofit organization), which comprise the statements of financial position as of June 30, 2026 and 2025, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make Way For Books as of June 30, 2026 and 2025, 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

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Make Way For Books and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Make Way For Books' 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

My 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 my 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, including omissions, 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, I:

- 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 Make Way For Books' 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Make Way For Books' ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Jennifer J Phillips, CPA, PLLC

JENNIFER J. PHILLIPS, CPA, PLLC
Tucson, Arizona

October 6, 2026

MAKE WAY FOR BOOKS
STATEMENTS OF FINANCIAL POSITION
June 30, 2026 and 2025

	2026	2025
ASSETS		
Cash and cash equivalents	$ 1,187,973	$ 1,493,854
Unconditional promises to give	79,650	410,012
Other receivables	541	-
Prepaid expenses	8,845	16,886
Other assets - Note 4	122,720	109,639
Finance lease right of use asset - Note 9	34,192	-
Property and equipment - Note 5	1,140,475	1,167,669
Endowment investments - Notes 6 and 10	116,779	108,308
	$ 2,691,175	$ 3,306,368
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 12,864	$ 29,630
Accrued expenses	46,307	109,823
Refundable advances - Note 7	5,953	34,291
Finance lease liability - Note 9	34,358	-
	99,482	173,744
Net assets:		
Without donor restrictions:		
Available for operations	1,236,206	1,762,148
Expended for property and equipment	1,140,475	1,167,669
	2,376,681	2,929,817
With donor restrictions - Note 10	215,012	202,807
	2,591,693	3,132,624
	$ 2,691,175	$ 3,306,368

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF ACTIVITIES
Year ended June 30, 2026

	Without donor restrictions	With donor restrictions	Totals
Public support and revenues:			
Contributions	$ 485,768	$ 11,500	$ 497,268
Grants and contracts	1,476,978	155,000	1,631,978
In-kind contributions - Note 12	6,088	-	6,088
Net investment return	48,692	13,171	61,863
Miscellaneous	40,778	-	40,778
	2,058,304	179,671	2,237,975
Releases from restrictions	167,466	(167,466)	-
Total public support and revenues	2,225,770	12,205	2,237,975
Expenses and losses:			
Program services	2,027,419	-	2,027,419
General and administrative	429,772	-	429,772
Fundraising	189,983	-	189,983
Total functional expenses	2,647,174	-	2,647,174
Loss on disallowance of employee retention credit - Note 13	131,732	-	131,732
Total expenses and losses	2,778,906	-	2,778,906
Change in net assets	(553,136)	12,205	(540,931)
Net assets, beginning of year	2,929,817	202,807	3,132,624
Net assets, end of year	$ 2,376,681	$ 215,012	$ 2,591,693

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF ACTIVITIES
Year ended June 30, 2025

	Without donor restrictions	With donor restrictions	Totals
Public support and revenues:			
Contributions	$ 344,153	$ 104,732	$ 448,885
Grants and contracts	2,691,303	152,000	2,843,303
In-kind contributions - Note 12	12,787	-	12,787
Employee retention tax credit - Note 13	295,210	-	295,210
Net investment return	92,804	3,576	96,380
Miscellaneous	15,496	-	15,496
	3,451,753	260,308	3,712,061
Releases from restrictions	704,594	(704,594)	-
Total public support and revenues	4,156,347	(444,286)	3,712,061
Expenses:			
Program services	2,741,702	-	2,741,702
General and administrative	510,521	-	510,521
Fundraising	248,791	-	248,791
Total expenses	3,501,014	-	3,501,014
Change in net assets	655,333	(444,286)	211,047
Net assets, beginning of year	2,274,484	647,093	2,921,577
Net assets, end of year	$ 2,929,817	$ 202,807	$ 3,132,624

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2026

	Program services					
	Family literacy	Story project	Total program services	General and administrative	Fundraising	Total
Salaries and wages	$ 760,614	$ 522,335	$ 1,282,949	$ 216,539	$ 91,415	$ 1,590,903
Payroll taxes and benefits	125,317	88,826	214,143	25,138	9,855	249,136
	885,931	611,161	1,497,092	241,677	101,270	1,840,039
Bank and credit card fees	-	-	-	5,469	-	5,469
Books	102,136	94,883	197,019	-	6,088	203,107
Depreciation/amortization	30,323	19,494	49,817	8,423	4,332	62,572
Insurance	10,797	6,941	17,738	6,544	1,542	25,824
Occupancy	20,250	7,787	28,037	4,026	1,730	33,793
Office expenses	18,379	11,892	30,271	8,142	2,626	41,039
Postage and printing	4,464	2,909	7,373	1,931	11,604	20,908
Promotion	-	-	-	150	5,709	5,859
Professional services	39,794	42,428	82,222	132,768	38,640	253,630
Repairs and maintenance	1,217	799	2,016	2,745	171	4,932
Supplies	37,056	29,101	66,157	6,535	4,041	76,733
Travel and meetings	12,757	17,466	30,223	4,365	2,215	36,803
Miscellaneous	11,150	8,304	19,454	6,997	10,015	36,466
	$ 1,174,254	$ 853,165	$ 2,027,419	$ 429,772	$ 189,983	$ 2,647,174

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2025

	Program services					
	Family literacy	Story project	Total program services	General and administrative	Fundraising	Total
Salaries and wages	$ 942,738	$ 667,107	$ 1,609,845	$ 267,855	$ 125,796	$ 2,003,496
Payroll taxes and benefits	153,433	101,853	255,286	37,975	19,016	312,277
	1,096,171	768,960	1,865,131	305,830	144,812	2,315,773
Bank and credit card fees	1,549	1,134	2,683	395	641	3,719
Books	174,774	247,300	422,074	7,333	12,665	442,072
Depreciation/amortization	26,328	19,269	45,597	6,723	10,903	63,223
Insurance	10,922	7,993	18,915	2,788	4,523	26,226
Occupancy	16,793	8,243	25,036	2,877	4,664	32,577
Office expenses	18,623	16,035	34,658	6,457	7,245	48,360
Postage and printing	6,211	4,102	10,313	3,756	6,441	20,510
Promotion	2,500	-	2,500	-	7,845	10,345
Professional services	62,237	34,020	96,257	135,410	33,679	265,346
Repairs and maintenance	1,897	1,418	3,315	19,846	740	23,901
Supplies	36,172	96,666	132,838	5,536	3,426	141,800
Travel and meetings	22,292	38,016	60,308	6,304	412	67,024
Miscellaneous	13,363	8,714	22,077	7,266	10,795	40,138
	$ 1,489,832	$ 1,251,870	$ 2,741,702	$ 510,521	$ 248,791	$ 3,501,014

See Accompanying Notes.

MAKE WAY FOR BOOKS
STATEMENTS OF CASH FLOWS
Years ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Change in net assets	$ (540,931)	$ 211,047
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	62,572	63,223
Endowment net investment (return)	(13,171)	(3,576)
Change in operating assets and liabilities:		
Unconditional promises to give	330,362	(18,514)
Other receivables	(541)	-
Prepaid expenses	8,041	1,615
Finance lease assets and liabilities	166	
Accounts payable	(16,766)	(48,710)
Accrued expenses	(63,516)	(3,523)
Refundable advances	(28,338)	(989,943)
Less: endowment contributions	-	(104,732)
Net cash provided by (used in) operating activities	(262,122)	(893,113)
Cash flows from investing activities:		
Purchases of other assets	(38,740)	(44,271)
Purchases of property and equipment	(9,719)	(80,165)
(Addition to)/withdrawal from endowment	4,700	(104,732)
Net cash (used in) investing activities	(43,759)	(229,168)
Cash flows from financing activities -		
Endowment contributions	-	104,732
Net change in cash and cash equivalents	(305,881)	(1,017,549)
Cash and cash equivalents, beginning of year	1,493,854	2,511,403
Cash and cash equivalents, end of year	$ 1,187,973	$ 1,493,854
Supplemental cash flow information:		
No cash paid for interest or income taxes in 2026 or 2025.		
Non-cash activity:		
Assets acquired through finance lease	$ 35,991	$ -

See Accompanying Notes.

NOTE 1 – Organization and purpose

Make Way For Books is a not-for-profit organization incorporated under the laws of Arizona on January 9, 1998. The purpose of Make Way For Books (MWFB) is to give children the chance to read and succeed. MWFB is committed to giving young children the opportunity to develop emergent literacy skills that help them to thrive in the classroom and throughout life. MWFB fosters the success of children through cultivating the love of books and reading. MWFB's highest priority is to serve economically disadvantaged young children and families in southern Arizona. Since 1998, MWFB has provided a comprehensive continuum of services to strengthen a culture of literacy in the community by developing and implementing research-based early literacy programs and resources that reach young children and families at low-resource preschools/childcare centers and at other community locations. MWFB uses a variety of proven strategies to empower children with the skills they need to thrive by reaching them with quality early literacy experiences before they enter kindergarten.

The IRS has approved the tax-exempt status of Make Way for Good, Inc., a Section 509(a)(3) supporting organization of MWFB. Make Way for Good had no activity through the year ended June 30, 2026. Any future activity will be consolidated with the financial statements of MWFB.

NOTE 2 – Summary of significant accounting policies

Cash and cash equivalents

MWFB considers all cash and highly liquid investments with an original maturity 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. MWFB had no restricted cash as of either June 30, 2026 or 2025.

Unconditional promises to give

MWFB records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. All receivables at both June 30, 2026 and 2025 are due within one year.

MWFB determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Management believes that all receivables are collectible, and, accordingly, has recorded no allowance for uncollectible amounts.

Other assets

MWFB has entered into contracts with mobile application developers to expand the uses and capabilities of MWFB's early literacy app. Costs related to application, infrastructure and graphics development are capitalized. The first project was completed during the year ended June 30, 2019, and the second project is in progress as of June 30, 2026. Amortization is computed using the straight-line method over the estimated useful life of the app of four years. During the year ended June 30, 2025, MWFB began a website and brand redevelopment project. These costs will be amortized over the estimated life of the project. Content development and operating costs are expensed as incurred.

NOTE 2 – Summary of significant accounting policies – continued

Trademark costs are recorded at historical cost. Because the trademarks have indefinite lives, the costs are not amortized but will be evaluated for impairment on an annual basis. MWFB has determined that there were no indicators of asset impairment as of either June 30, 2026 or 2025.

Property and equipment

Purchased property and equipment is carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. MWFB capitalizes purchases in excess of $5,000 with a useful life of more than one year. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

MWFB reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. MWFB has determined that there were no indicators of asset impairment as of either June 30, 2026 or 2025.

Investments

During the year ended June 30, 2025, MWFB transferred assets to the Arizona Community Foundation (ACF) to be held as an endowment. MWFB did not grant variance power to the organization. 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.

Net assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

MWFB reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

NOTE 2 – Summary of significant accounting policies – continued

Endowments

MWFB's endowment consists of one fund established for specific purposes under donor restriction. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona adopted the Management of Charitable Funds Act (the Act). The Board of MWFB has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MWFB retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, MWFB considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization.

Revenue and revenue recognition

MWFB records fundraising events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. All goods and services are transferred at a point in time.

MWFB recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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. MWFB's federal, state, and certain other contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2026 and 2025, conditional grants approximating $604,156 and $389,890, respectively, represent the unexpended portion of MWFB's contracts.

In-kind contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services (Note 12). MWFB does not sell donated gifts-in-kind. Contributed goods are recorded at fair value at the date of donation.

Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills, and the services are provided by individuals possessing those skills.

NOTE 2 – Summary of significant accounting policies – continued

- The services would typically need to be purchased if not donated.

MWFB's volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional allocation of expenses

Costs are allocated to various programs, grants, contracts, agreements, and functions of the organization. The general approach of the plan follows:

- All allowable direct costs are charged to programs, grants, activities, and functions;
- Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base more appropriate to the particular cost being prorated;
- All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated using a base that results in an equitable distribution.

Management believes that the allocation base most equitable is personnel costs charged to functional areas.

Advertising

Advertising costs are expensed as incurred. Advertising costs, which are included in promotion expense, totaled $5,859 and $3,695 for the years ended June 30, 2026 and 2025, respectively.

Library costs

The costs of circulating books and other library materials are not recorded as collections but are recorded as an expense in the year purchased, as the useful lives of such items are relatively short.

Leases

MWFB leases certain office equipment under a long-term noncancelable finance lease agreement. The lease expires in 2031. The office equipment finance lease requires MWFB to pay copy-overage fees and related taxes.

The weighted-average discount rate is based on the discount rate implicit in the lease. MWFB has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. MWFB has applied the risk-free rate option to the office equipment classes of assets.

MWFB 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. In addition, immaterial assets and liabilities are not recognized for long-term leases. Lease payments for these leases are recognized on a straight-line basis.

MWFB has elected the practical expedient to not separate lease and non-lease components for equipment leases.

NOTE 2 – Summary of significant accounting policies – continued

Income tax status

MWFB is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to MWFB's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, MWFB qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Management of MWFB considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that MWFB met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, MWFB has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for either of the years ended June 30, 2026 or 2025.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value measurements

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset or liability. A fair value hierarchy distinguishes between market participant assumptions and MWFB's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are MWFB's own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. They include quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates, or yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. These inputs reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is

NOTE 2 – Summary of significant accounting policies – continued

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 the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset or liability.

Financial instruments and credit risk

MWFB manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, MWFB has not experienced losses in any of these accounts. Uninsured cash totaled $557,743 at June 30, 2026.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of MWFB's mission; however, there is a potential credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations for the stated amounts. These amounts contain no collateral provisions for collection.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 3 – Liquidity and availability

MWFB has no internally designated net assets. Financial assets available for general expenditure (without donor or other restrictions limiting their use) within one year of the statement of financial position date comprise the following at June 30:

	2026	2025
Cash and cash equivalents	$ 1,083,786	$ 1,365,063
Unconditional promises to give	79,650	410,012
Other receivables	541	0
	$ 1,163,977	$ 1,775,075

As part of MWFB's liquidity management plan, cash in excess of annual operating requirements is invested in savings and money market funds.

NOTE 4 – Other assets

Other assets at June 30, 2026 and 2025 were as follows:

	2026	2025
App development costs, net	$ 34,056	$ 59,715
Website development project, net	83,010	44,270
Trademark costs	5,654	5,654
	$ 122,720	$ 109,639

NOTE 5 – Property and equipment

Property and equipment at June 30, 2026 and 2025 was as follows:

	2026	2025
Land	$ 240,000	$ 240,000
Building and improvements	1,156,036	1,156,036
Computer equipment and software	20,206	20,206
Office furniture and fixtures	16,802	16,802
Vehicle	28,188	28,188
	1,461,232	1,461,232
Construction-in-progress	80,714	70,995
Less accumulated depreciation	(401,471)	(364,558)
	$ 1,140,475	$ 1,167,669

NOTE 6 – Fair value measurements/endowments

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). MWFB has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of $0 were reported in net assets with donor restrictions as of June 30, 2026.

MWFB has adopted the investment policies of ACF for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Actual returns in any given year may vary.

MWFB follows the spending policy of ACF. ACF appropriates for expenditure 4.25% of the fund assets calculated each year by averaging the previous 12 quarters of a fund's ending account balance, beginning with the December balance. The result is the maximum available grantmaking amount for the next fiscal year, starting April 1.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2026 and 2025:

	Level 3	
	2026	2025
Beneficial interest in funds held by others	$ 116,779	$ 108,308

Activity in assets measured at fair value using Level 3 inputs was as follows for the year ended June 30, 2026:

	With donor restrictions		
	Subject to expenditure	Subject to spending policy	Total
Balance, June 30, 2025	$ 3,576	$ 104,732	$ 108,308
Investment return, net	13,171	-	13,171
Appropriations	(4,700)	-	(4,700)
Balance, June 30, 2026	$ 12,047	$ 104,732	$ 116,779

NOTE 6 – Fair value measurements/endowments – continued

Activity in assets measured at fair value using Level 3 inputs was as follows for the year ended June 30, 2025:

	With donor restrictions		
	Subject to expenditure	Subject to spending policy	Total
Balance, June 30, 2024	$ -	$ -	$ -
Contributions	-	104,732	104,732
Investment return, net	3,576	-	3,576
Balance, June 30, 2025	$ 3,576	$ 104,732	$ 108,308

Valuation techniques

Beneficial interests in funds held at ACF are considered as valued based on Level 3 inputs, because MWFB owns units of pooled funds held at ACF and relies on the organization to provide the value of those funds. At ACF, these pooled investments are primarily held in marketable securities and are considered to be valued based on Level 1 inputs.

There were no changes in valuation techniques during either of the years ended June 30, 2026 or 2025. Determinations of transfers between levels are made on an annual basis at year-end. There were no transfers between levels for either of the years ended June 30, 2026 or 2025.

NOTE 7 – Refundable advances

Cost-reimbursable federal, state and foundation grants and contracts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. These refundable advances totaled $5,953 and $34,291 as of June 30, 2026 and 2025, respectively.

NOTE 8 – Line of credit

MWFB has a secured $100,000 revolving line of credit with a financial institution, maturing July 2029. The line is secured by substantially all of MWFB's assets, including inventory, accounts, equipment, general intangibles, and fixtures. The interest rate is variable, 8.75% and 9.75% at June 30, 2026 and 2025, respectively. There was no outstanding balance on the line of credit at either June 30, 2026 or 2025.

NOTE 9 – Leases

Total finance lease costs for the years ended June 30, 2026 and 2025 were as follows:

	2026	2025
Finance lease cost:		
Interest expense	$ 355	$ -
Amortization of asset	1,800	-
	$ 2,155	$ -

The remaining lease term was 5 years at June 30, 2026. The discount rate was 4% at June 30, 2026.

NOTE 9 – Leases – continued

The future minimum lease payments under the noncancelable finance lease with a term greater than one year are as follows:

Year ending June 30, 2027	$ 7,956
2028	7,956
2029	7,956
2030	7,956
2031	5,967
Total lease payments	37,791
Less interest	(3,433)
	$ 34,358

NOTE 10 – Net assets with donor restrictions

Net assets with donor restrictions were as follows for the year ended June 30, 2026:

	Beginning balance	Additions	Releases	Ending balance
Purpose:				
Blue Book House	$ -	$ -	$ -	$ -
Family education and literacy	55,000	105,500	(93,791)	66,709
The Story Project	12,500	-	(12,500)	-
The Story School	26,999	36,000	(54,392)	8,607
Timing	-	25,000	(2,083)	22,917
Endowment (Note 6)	108,308	13,171	(4,700)	116,779
	$ 202,807	$ 179,671	$ (167,466)	$ 215,012

Net assets with donor restrictions were as follows for the year ended June 30, 2025:

	Beginning balance	Additions	Releases	Ending balance
Purpose:				
Blue Book House	$ 7,464	$ -	$ (7,464)	$ -
Family education and literacy	378,737	98,000	(421,737)	55,000
The Story Project	-	25,000	(12,500)	12,500
The Story School	260,892	29,000	(262,893)	26,999
Timing	-	-	-	-
Endowment (Note 6)	-	108,308	-	108,308
	$ 647,093	$ 260,308	$ (704,594)	$ 202,807

NOTE 11 – Retirement plan

MWFB has a SIMPLE retirement plan (Plan) available for all employees to defer compensation. MWFB must make matching employer contributions to the Plan of up to 3% of the employee's compensation for the year. MWFB made contributions of $28,099 and $25,264 to the Plan for the years ended June 30, 2026 and 2025, respectively. All contributions made under the Plan are fully vested.

NOTE 12 – In-kind contributions

MWFB received donated books in the amount of $6,088 and $12,787 during the years ended June 30, 2026 and 2025, respectively. Contributed books are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed books are used in program services and fundraising activities (giveaways) and are included in books expense on the statements of functional expenses.

NOTE 13 – Employee retention credit

MWFB applied for the Employee Retention Credit (“ERC”) during the year ended June 30, 2025. The ERC is a credit against certain payroll taxes allowed to an eligible employer for qualifying wages. It was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan Act (ARPA). MWFB recorded $295,210 in ERC revenue during the year ended June 30, 2025. Of this amount, $149,696 was included in unconditional promises to give and an accrued contingent service fee of $17,964 related to the claim was included in accrued expenses at June 30, 2025.

In June 2026, the Internal Revenue Service disallowed the claim. Accordingly, during the year ended June 30, 2026, MWFB wrote off the $149,696 receivable and reversed the related $17,964 contingent fee accrual. Because the fee was directly contingent on recovery of the credit, these adjustments are presented net as a loss on the disallowed employee retention credit claim of $131,732 in the accompanying statements of activities. MWFB is pursuing an administrative appeal of the disallowance. No receivable or related fee liability has been recognized at June 30, 2026 in connection with the appeal. Any recovery and related fee obligation will be recognized in the period in which recognition is appropriate.

NOTE 14 – Subsequent events

Management has evaluated subsequent events through October 6, 2026 which is the date the financial statements were available to be issued.