Adult Children of Alcoholics World Service Organization

Letter Communicating Material Weaknesses, Significant Deficiencies, and Comments to Management

Year Ended December 31, 2025

BRETT BRADBURY CPA PC

BRETT BRADBURY CPA PC
NONPROFIT AUDIT | REVIEW | COMPILATION

To the Board of Directors and Management of
Adult Children of Alcoholics World Service Organization

In planning and performing my audit of the financial statements of Adult Children of Alcoholics World Service Organization as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, I considered Adult Children of Alcoholics World Service Organization's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Adult Children of Alcoholics World Service Organization
Letter Communicating Material Weaknesses, Significant Deficiencies, and Comments to Management
Year Ended December 31, 2025

MATERIAL WEAKNESSES

None identified in the current year.

SIGNIFICANT DEFICIENCIES

None identified in the current year.

COMMENTS TO MANAGEMENT

2025-001: Inventory Count Tieout

Prior Year Comment
None

Current Year Comment
During my audit procedures over inventory for the warehouse in Canada, I compared selected items from the Solex inventory count sheets to the final inventory listing and internal reconciliation used by the Organization to calculate ending inventory at December 31, 2025. For the samples tested during the tie-out, I noted instances where quantities on the Solex count sheets did not agree to the final inventory listing amounts reflected in the internal reconciliation. As a result, management's reconciliation process did not clearly document the investigation and resolution of these differences, including the support for any changes made between the third-party count sheets and the final inventory amounts recorded at year-end.

A timely and well-documented reconciliation between third-party count documentation and the Organization's final inventory listing is an important control that helps support the existence and accuracy of inventory and reduces the risk that count errors, cut-off issues, or transcription/adjustment errors result in an incorrect ending inventory balance. I recommend that management strengthen the year-end inventory close process by performing (and retaining) a formal reconciliation of the Solex count sheets to the final inventory listing and internal reconciliation, including documented explanations for all variances, evidence of review/approval by a responsible individual independent of the preparation, and clear linkage of any approved adjustments to the supporting documentation.

COMMENTS TO MANAGEMENT (continued)

2025-002: Net Asset Beginning Balance Changes

Prior Year Comment
None

Current Year Comment
During my audit, I noted that changes were made to the QuickBooks file after the issuance of the audited financial statements for the year ended December 31, 2024. These post-audit adjustments resulted in the beginning net assets balance not agreeing to the prior year audited financial statements for purposes of the 2025 audit. While the amount adjusted was trivial, this is the second consecutive year that beginning net assets did not tie to the prior year audited amounts (as beginning net assets also did not agree at the start of the 2024 audit).

I recommend implementing controls to prevent transactions from being posted to a closed period, such as locking the QuickBooks file with a closing date and password that restricts changes to prior periods.

PRIOR YEAR COMMENTS THAT HAVE BEEN RESOLVED

2023-001: Allocation of Functional Expenses

Prior Year Comment
Allocating expenses across the three functional expense categories of program services, general and administrative, and fundraising is vital for nonprofit organizations to accurately track costs. This detailed tracking allows organizations to understand the direct and indirect costs of each functional area, providing a comprehensive view of resource utilization. This level of detail can highlight areas of high cost or inefficiency, enabling management to make informed decisions about resource allocation. Furthermore, it ensures that costs are accurately attributed to the activities they support, which is essential for financial reporting, compliance with grant requirements (when applicable), and demonstrating to donors how their contributions are being used.

During my audit, I found that expenses are now being internally allocated across program, general and administrative, and fundraising functions, rather than relying on external sources such as third-party CPA firms. A memo provided during the audit described the allocation methodology, which was consistent with the allocations observed during expense testing and transaction review.

However, I continue to recommend the adoption of a formal cost allocation policy or plan, approved by the Board of Directors, to solidify the Organization's approach to expense allocation going forward. As of April 2025, the cost allocation plan has been created and is awaiting formal approval by the Board of Directors.

Current Year Comment
I found during my audit that the Organization developed a formal cost allocation plan, which was approved by the Board of Directors and implemented during the current year. Based on my audit procedures and testing of selected transactions, allocations of shared costs were applied in a manner consistent with the approved methodology and were supported by documentation maintained by management.

2023-003: Donor Software and Tieout

Prior Year Comment
During my audit, I found that a manual process is still being used to reconcile 7th Tradition contributions between an internally developed spreadsheet and the QuickBooks file. While this manual tie-out provides some compensating control, I continue to recommend that the Organization perform an ongoing reconciliation between donations recorded in QuickBooks and information maintained outside of QuickBooks (such as donor acknowledgement letters sent or reports from donor management software) to cross-verify completeness and accuracy and to help identify discrepancies that may require further investigation.

I also noted that the Organization is currently implementing donor management software to begin tracking these donations electronically and expects to be fully operational with the software in the upcoming year; once implemented, management should establish a consistent monthly reconciliation process and retain documentation of the review and resolution of any differences noted.

PRIOR YEAR COMMENTS THAT HAVE BEEN RESOLVED (CONTINUED)

2023-003: Donor Software and Tieout (continued)

Current Year Comment

During my audit, I noted that the implementation of donor management software in June 2025 to enhance the tracking of 7th Tradition contributions was completed. Following an initial testing period, the system was placed into operation prior to year-end, and the related reconciliation has been incorporated into the Organization's monthly closing procedures.

Adult Children of Alcoholics World Service Organization

Financial Statements

December 31, 2025 and 2024

BRETT BRADBURY CPA PC

Adult Children of Alcoholics World Service Organization
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BRETT BRADBURY CPA PC
NONPROFIT AUDIT | REVIEW | COMPILATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Adult Children of Alcoholics World Service Organization
Signal Hill, California

Opinion

I have audited the accompanying financial statements of Adult Children of Alcoholics World Service Organization (nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Adult Children of Alcoholics World Service Organization as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit 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 Adult Children of Alcoholics World Service Organization and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. 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 Adult Children of Alcoholics World Service Organization's, ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 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 Adult Children of Alcoholics World Service Organization'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adult Children of Alcoholics World Service Organization's 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.

Brett Bradbury CPA PC

Long Beach, California
April 20, 2026

Adult Children of Alcoholics World Service Organization
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 192,984	$ 285,612
Certificates of deposit	162,242	108,792
Accounts receivable, net	12,889	9,342
Inventory	365,687	446,360
Prepaid expenses	78,660	63,873
Total Current Assets	812,462	913,979
Long-Term Assets		
Property and equipment, net	17,897	13,039
Intangible assets, net	102,610	83,782
Operating lease right-of-use assets	443,668	586,183
Deposits	22,011	22,011
Total Long-Term Assets	586,186	705,015
Total Assets	$ 1,398,648	$ 1,618,994
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 47,674	$ 38,327
Accrued liabilities	96,643	92,090
Deferred revenue	6,467	14,281
Operating lease liabilities, current portion	162,141	149,895
Notes payable, current portion	-	7,826
Total Current Liabilities	312,925	302,419
Long-Term Liabilities		
Operating lease liabilities, net of current portion	313,813	475,954
Total Long-Term Liabilities	313,813	475,954
Total Liabilities	626,738	778,373
Net Assets		
Without donor restrictions	731,745	803,504
With donor restrictions	40,165	37,117
Total Net Assets	771,910	840,621
Total Liabilities and Net Assets	$ 1,398,648	$ 1,618,994

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

Adult Children of Alcoholics World Service Organization
Statements of Activities
Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Inventory sales	$ 1,814,022	$ -	$ 1,814,022	$ 1,848,181	$ -	$ 1,848,181
Contributions	497,774	15,434	513,208	484,366	18,007	502,373
In-kind contributions	-	-	-	95	-	95
Net assets released from restrictions	12,386	(12,386)	-	5,975	(5,975)	-
Total Support and Revenue	2,324,182	3,048	2,327,230	2,338,617	12,032	2,350,649
Expenses						
Program	1,812,588	-	1,812,588	1,748,974	-	1,748,974
Management and general	545,774	-	545,774	578,303	-	578,303
Fundraising	39,801	-	39,801	22,492	-	22,492
Total Expenses	2,398,163	-	2,398,163	2,349,769	-	2,349,769
Nonoperating Revenue						
Credit card rewards	5,446	-	5,446	6,613	-	6,613
Interest income	3,616	-	3,616	3,645	-	3,645
Foreign exchange gain (loss)	(6,840)	-	(6,840)	-	-	-
Total Nonoperating Revenue	2,222	-	2,222	10,258	-	10,258
Change in net assets	(71,759)	3,048	(68,711)	(894)	12,032	11,138
Net assets, beginning of year	803,504	37,117	840,621	804,398	25,085	829,483
Net assets, end of year	$ 731,745	$ 40,165	$ 771,910	$ 803,504	$ 37,117	$ 840,621

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

Adult Children of Alcoholics World Service Organization
Statements of Functional Expenses
Years Ended December 31, 2025 and 2024

	2025				2024			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and Related Expenses								
Salaries and wages	$ 387,248	$ 297,704	$ 11,387	$ 696,339	$ 381,842	$ 282,070	$ 10,446	$ 674,358
Payroll taxes	31,633	22,662	893	55,188	29,093	21,963	821	51,877
Employee benefits	27,167	15,360	551	43,078	19,797	10,946	331	31,074
Total Salaries and Related Expenses	446,048	335,726	12,831	794,605	430,732	314,979	11,598	757,309
Other Expenses								
Amortization	-	10,901	-	10,901	11,045	1,949	-	12,994
Bad debt expense	4,700	-	-	4,700	-	-	-	-
Bank and merchant fees	30,669	179	20,527	51,375	30,953	1,034	10,219	42,206
Contracted services	262,035	514	-	262,549	148,661	11,152	-	159,813
Cost of goods sold	814,672	-	-	814,672	882,045	-	-	882,045
Depreciation	5,912	-	-	5,912	2,771	624	69	3,464
Dues and subscriptions	-	342	-	342	101	297	-	398
Events and conferences	-	-	-	-	309	268	7	584
Information technology	26,048	34,984	5,837	66,869	54,263	23,919	179	78,361
Insurance	2,542	4,531	4	7,077	2,740	3,845	4	6,589
Licenses and fees	-	268	-	268	-	707	-	707
Office expense	2,837	7,318	-	10,155	6,109	17,413	95	23,617
Postage and delivery	192	-	219	411	130	112	3	245
Professional fees	5,515	131,223	126	136,864	5,291	169,336	125	174,752
Program supplies	27,956	-	-	27,956	17,813	-	-	17,813
Rent expense	158,000	16,129	233	174,362	136,805	29,457	167	166,429
Repairs and maintenance	4,788	489	7	5,284	3,829	824	5	4,658
Travel	9,014	1,980	-	10,994	6,124	395	10	6,529
Utilities	11,660	1,190	17	12,867	9,253	1,992	11	11,256
Total Other Expenses	1,366,540	210,048	26,970	1,603,558	1,318,242	263,324	10,894	1,592,460
Total Expenses	$ 1,812,588	$ 545,774	$ 39,801	$ 2,398,163	$ 1,748,974	$ 578,303	$ 22,492	$ 2,349,769

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

Adult Children of Alcoholics World Service Organization
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	$ (68,711)	$ 11,138
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation and amortization	16,813	16,458
Amortization of operating lease right-of-use asset	142,515	136,055
Loss on disposal of assets	-	461
Provision for uncollectible receivables	6,012	760
(Increase) decrease in operating assets:		
Accounts receivable	(9,559)	(6,221)
Inventory	80,673	(46,269)
Prepaid expenses	(14,787)	(6,471)
Deposits	-	(6,026)
Increase (decrease) in operating liabilities:		
Accounts payable	9,347	(16,051)
Accrued liabilities	4,553	32,077
Deferred revenue	(7,814)	5,571
Operating lease liability, net	(149,895)	(138,337)
Net cash provided (used) in operating activities	9,147	(16,855)
Cash Flows from Investing Activities		
Purchases of property and equipment	(10,770)	(2,487)
Purchases of intangible assets	(29,729)	(40,047)
Purchases of certificates of deposit	(271,355)	(108,792)
Proceeds from maturity of certificates of deposit	217,905	-
Net cash used in investing activities	(93,949)	(151,326)
Cash Flows from Financing Activities		
Principal payments on notes payable	(7,826)	(13,416)
Net cash used in financing activities	(7,826)	(13,416)
Net decrease in cash and cash equivalents	(92,628)	(181,597)
Cash and cash equivalents, beginning of year	285,612	467,209
Cash and cash equivalents, end of year	$ 192,984	$ 285,612
Cash and cash equivalents consists of:		
Unrestricted cash and cash equivalents	$ 152,819	$ 248,495
Restricted cash and cash equivalents	40,165	37,117
	$ 192,984	$ 285,612
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Supplemental Disclosure of Noncash Investing and Financing Activities		
Construction in progress transferred to intangible assets	$ 45,981	$ -

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

NOTE 1 – ORGANIZATION

Adult Children of Alcoholics World Service Organization (the Organization) was incorporated under the laws of the state of California on January 12, 1987. The Organization is a publicly supported organization as described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

The Organization's primary office location is in Signal Hill, California. The Organization also holds inventory in other warehouses maintained by third parties. The mission of the Organization is to serve the fellowship of Adult Children of Alcoholics (ACA) worldwide and through its agency to help those seeking recovery from the effects of an upbringing in an alcoholic or otherwise dysfunctional environment. The means for recovery is provided through sharing information and personal experiences with one another and using the 12 steps and 12 traditions as a basis for this sharing. By doing so, the intent is to better the individual's life experiences and hence the communities wherein they reside.

The Organization's programs provide adult children of alcoholics twelve step informational and educational materials, develop additional twelve step program and educational materials with the creation and publication of additional European languages, provide free program books and literature to persons incarcerated in jails and prisons or are patients in institutions, and provide free program books and literature to professional psychologists, therapists, and other medical doctors.

The Organization relies on the generosity of the community for its support and voluntary contributions. bequests, gifts, grants, and fees for its services. All members of the Board of Directors and Committees are volunteers and do not receive compensation for such services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 ("U.S. GAAP"). The statements of financial position are presented in order of liquidity.

The Organization classifies revenue, other support, and expenses into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment. The Organization has not set up a board-designated endowment.

- *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, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include bank checking accounts used for operating purposes and highly liquid investments available for current use with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes.

Certificates of Deposit

The Organization holds two certificates of deposit with original maturity dates of three months or more. The certificates of deposit are carried at cost, which approximates fair value.

Accounts Receivable

Accounts receivable is stated at the amount billed to the Organization's customers and represents amounts due for books and other materials sold by the Organization. Receivables are recorded at estimated fair value at the time of origination and are reflected in the statement of financial position net of expected credit losses. The measurement of expected credit losses is determined based on historical experience, current conditions, and reasonable and supportable forecasts. The Organization did not have any expected credit losses as of December 31, 2025 and 2024 as it deemed the amount to be immaterial.

Inventories

Inventories of merchandise purchased for resale are stated at lower of cost or market determined by weighted average cost method. Donated goods inventory is recorded at fair value at the date of donation. Inventories generally consist of books and other materials held for retail sale.

Prepaid Expenses

Prepaid expenses consist of expenses that have been paid for in advance but not yet incurred.

Fair Value Measurements

The Organization carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain financial instruments are carried at cost on the statements of financial position, which approximates fair value due to their short term, highly liquid nature.

The Organization classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

- Level 1 - Quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Examples of such assets are actively traded stocks, bonds, and mutual funds. This Level of data is given priority over Level 2 and 3 data in establishing fair market value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

- Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly. An example of such an asset is an investment that is not traded actively and therefore no quoted price is available, but other similar investments have traded recently, or other data such as interest or yield rates are available that allows for a valuation of the asset. This Level of data is given priority over Level 3 data in establishing a fair market value.

- Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data. In this situation, unobservable data may be used to make the best fair value determination possible.

Property and Equipment

Property and equipment used in the operations of the Organization are stated at cost or, if donated, at the fair value at the date of contribution. All donated assets are reported as unrestricted support unless donors' stipulations specify how the assets must be used. The Organization reports expirations of donor restrictions when the acquired assets are placed in service and reclassifies with donor restricted net assets to without donor restricted net assets at that time. Property and equipment with a cost of at least $1,000 and a useful life of three years or more is capitalized. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Machinery and equipment	3-5 years
Furniture and fixtures	5-7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that increase the fixed asset values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Expenditures for fixed assets that are purchased with government funds are expensed when acquired because the grantor retains title to such assets.

Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by depreciation taken prior to the sale. Gains and losses are recognized in the statements of activities and changes in net assets upon disposal of property and equipment.

Intangible Assets

The Organization recognizes website design, trademarks, and copyrights as components of its intangible assets. These intangible assets are amortized using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets (continued)

The Organization periodically reviews intangible assets for impairment. Intangible assets are included on the statement of financial position as other long-term assets. The Organization initiates its review whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of an asset is measured by comparison of its carrying amount to the expected future undiscounted cash flows that the asset is expected to generate. Any impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its fair value. Significant management judgement is required in this process.

Construction in Progress

Subcontractor fees and website development are captured in the construction in progress account when purchased, or at the time of donation. These costs are considered to be construction in progress until they are placed in service. Construction in progress is not amortized until the completion of the website development.

Impairment of Long-lived Assets

The Organization reviews its investment in long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of December 31, 2025 and 2024, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

Deposits

Deposits are amounts paid on lease agreements that are expected to be refunded at the end of the lease term unless renewed.

Compensated Absences

The Organization's employees earn paid-time-off (PTO) based on the amount of time worked annually. Unused PTO for full-time employees is cumulative from year to year and can be accrued. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

Leases

The Organization leases office space under an operating lease. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying statements of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit rate, the Organization has elected to use the risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short- term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise.

Revenue Recognition

Inventory sales

Revenue is recognized when a customer obtains control of promised goods, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods. For the Organization, this generally means revenue is recognized when the books and other materials are shipped to the customer, as this is the point in time that the customer obtains control. The Organization's contracts with customers do not include significant financing components, variable consideration, or noncash consideration.

Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance, and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties. The Organization applies the practical expedient in Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers and does not adjust the promised amount of consideration for the effects of a significant financing component due to the expectation that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

Contributions

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions (continued)
Unconditional promises to give (pledges receivable) are recognized as contributions when received at their estimated fair value. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Amounts received that are restricted for future periods or by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class.

Unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction.

In-Kind Contributions
In addition to receiving cash contributions, the Organization may receive in-kind contributions from various donors. The value of in-kind donations is based on either donor-stated value, face value or replacement value had the Organization needed to purchase from an outside source. The fair market value is determined through active markets of identical or similar items. For the years ended December 31, 2025 and 2024, in-kind contributions totaled $0 and $95, respectively.

Contributed Services
Several volunteers have donated significant amounts of time and services to the Organization. Contributed services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services donated are not reflected in the accompanying financial statements as an expense or as income from donations; such services do not meet the above criteria for recording under U.S. GAAP.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

Income Taxes

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. As of December 31, 2025 and 2024, management evaluated the Organization's tax positions and concluded that the Organization had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

The Organization's returns are subject to potential examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed. Any interest or penalties assessed to the Organization are recorded in other expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses that are associated with more than one program or supporting service have been allocated among the programs and supporting services benefited based on a percentage of direct salaries method. The percentage of direct salaries method assigns time spent by employees on each program or support service to obtain overall percentages spent on each organizational activity.

Overhead expenses and supporting departments are allocated based on headcount percentages for each program and supporting department. Depreciation and facility costs are allocated based on square footage of the space used by each department.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues, expenses and changes in net assets during the reporting period. While management believes that these estimates are adequate as of December 31, 2025 and 2024, it is possible that actual results could differ from those estimates, and the difference could be material to the financial statements.

Reclassifications

Certain amounts in the December 31, 2024 financial statements have been reclassified to conform to the December 31, 2025 presentation. Such reclassifications have no effect on reported change in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets and liquidity resources available within one year for general expenditure, that is, without donor or other restrictions limiting their use, comprise the following as of December 31:

	2025	2024
Cash and cash equivalents	$ 192,984	$ 285,612
Certificates of deposit	162,242	108,792
Accounts receivable, net	12,889	9,342
Total financial assets	368,115	403,746
Less amounts not available to be used within one year due to:		
Donor-imposed restrictions	(40,165)	(37,117)
Financial assets available to meet general expenditures within one year	$ 327,950	$ 366,629

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 – INVENTORY

Inventory consisted of the following at December 31:

	2025	2024
Literature	$ 128,185	$ 190,348
Workbooks	196,300	211,475
Medallions and chips	23,856	26,862
Other	17,346	17,675
	$ 365,687	$ 446,360

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31:

	2025	2024
Inventory deposits	$ 26,704	$ 7,723
Information technology	26,054	23,974
Rent	15,122	14,339
Contractors	5,339	9,184
Employee benefits	2,809	-
Insurance	2,632	8,653
	$ 78,660	$ 63,873

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2025	2024
Machinery and equipment	$ 30,400	$ 30,400
Furniture and fixtures	25,120	14,350
	55,520	44,750
Accumulated depreciation	(37,623)	(31,711)
Property and equipment, net	$ 17,897	$ 13,039

Depreciation expense for the years ended December 31, 2025 and 2024 was $5,912 and $3,464, respectively.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	2025	2024
Website	$ 71,290	$ 108,382
Copyright and trademark	39,243	39,243
	110,713	147,625
Accumulated amortization	(12,344)	(109,824)
	98,369	37,801
Construction in progress	4,241	45,981
Intangible assets, net	$ 102,610	$ 83,782

NOTE 7 – INTANGIBLE ASSETS (continued)

During the year ended December 31, 2025, the Organization placed into service a new website, and the construction in progress balance from the prior year related to the website was reclassified to intangible assets upon implementation. The previously capitalized website, which was no longer in use, was removed from the accounting records during the year and was fully amortized at the time of removal.

Amortization expense for the years ended December 31, 2025 and 2024 was $10,901 and $12,994, respectively.

NOTE 8 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31:

	2025	2024
Accrued payroll	$ 21,199	$ 36,798
Accrued vacation	42,273	35,003
Sales tax payable	16,458	11,956
Other	16,713	8,333
	$ 96,643	$ 92,090

NOTE 9 – RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA retirement plan, which covers substantially all full-time employees. The Organization matches employee contributions up to 3%. Matching contributions for the years ended December 31, 2025 and 2024 was $16,852 and $8,906, respectively.

NOTE 10 – LEASES

Operating Leases

For the years ended December 31, 2025 and 2024, the Organization recognized lease liabilities in accordance with ASU Topic 842 – Leases. The Organization leases office space in Signal Hill, California, with a commencement date of August 1, 2023 and an expiration date in October 2028. The lease includes one five-year renewal option that, if exercised, would extend the term through 2033. The lease does not include material residual value guarantees or restrictive covenants. Renewal options are exercisable at the Organization's sole discretion and are included in the measurement of the right-of-use asset and lease liability only when the Organization concludes that exercise is reasonably certain.

NOTE 10 – LEASES (continued)

Operating Leases (continued)

Future minimum lease payments under non-cancellable leases are as follows for the year ended December 31, 2025:

Year Ending December 31,	Operating Leases
2026	$ 180,272
2027	185,680
2028	141,318
Total minimum lease payments	507,269
Less: interest	(31,315)
Present value of minimum lease payments	475,954
Current portion	(162,141)
Long-term portion	$ 313,813

Additional information related to leases for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Operating lease cost	$ 162,543	$ 167,641
Short-term lease cost	$ -	$ -
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 175,021	$ 169,923
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ -	$ -
Weighted-average remaining lease term	2.83 years	3.83 years
Weighted-average discount rate	4.50 %	4.50 %

NOTE 11 – NOTES PAYABLE

In August 2022, the Organization entered into an interest-free note payable with an original principal balance of $40,248, requiring monthly payments of $1,118 (principal and interest), with a stated maturity date of July 2025. The Organization made the final payment in July 2025, and the note payable balance at December 31, 2025 was $0.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions received or receivable by the Organization, which are limited in their use by the donor-imposed restrictions. Net assets with donor restrictions are available for the following purposes at December 31:

	2025	2024
Subject to Expenditure for Specified Purpose:		
Literature Scholarship Fund	$ 40,165	$ 37,117
Total Subject to Expenditure for Specified Purpose	40,165	37,117
Total Net Assets With Donor Restrictions	$ 40,165	$ 37,117

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2025	2024
Purpose Restrictions Accomplished:		
Literature Scholarship Fund	$ 12,386	$ 5,975
Total Purpose Restrictions Accomplished	12,386	5,975
Total Net Assets Released From Restrictions	$ 12,386	$ 5,975

NOTE 13 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash and cash equivalents with major financial institutions. At times, such amounts may exceed Federal Depository Insurance Corporation ("FDIC") limits. FDIC protection is $250,000 per depositor, per insured bank, for each account ownership category. The Organization has uninsured cash balances for the years ended December 31, 2025 and 2024 of $30,434 and $62,810, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 14 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 20, 2026, the date which the accompanying financial statements were available to be issued.

Management is not aware of any material subsequent events that would require adjustments or disclosures in the financial statements.