Hood & Strong

Advisory, Tax
and Assurance

# Worldreader.org

**December 31, 2025**

Financial Statements

Worldreader.org

## Table of Contents

# Independent Auditors' Report

THE BOARD OF DIRECTORS
WORLDREADER.ORG
Seattle, Washington

**Opinion**

We have audited the financial statements of **WORLDREADER.ORG (Worldreader or the Organization)**, which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Worldreader as of December 31, 2025, and the changes in its net assets and its cash flows 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Worldreader 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 Worldreader's ability to continue as a going concern for one year from the date of this report.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited the Organization’s 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 20, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
August 12, 2026

# Worldreader.org

## Statement of Financial Position

*December 31, 2025 (with comparative totals for 2024)*

| | 2025 | | | 2024 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **Assets:** | | | | |
| Cash and cash equivalents | $ 1,945,314 | $ 500,979 | $ 2,446,293 | $ 4,306,502 |
| Grants and pledges receivable, net | 17,443 | 468,857 | 486,300 | 1,034,887 |
| Software development, net | 675,790 | | 675,790 | 749,117 |
| Prepaid expenses and other assets | 86,404 | | 86,404 | 115,834 |
| Total assets | $ 2,724,951 | $ 969,836 | $ 3,694,787 | $ 6,206,340 |
| **Liabilities and Net Assets** | | | | |
| **Liabilities:** | | | | |
| Accounts payable and accrued expenses | $ 149,970 | | $ 149,970 | $ 170,387 |
| Grants payable | 37,136 | | 37,136 | 7,242 |
| Total liabilities | 187,106 | - | 187,106 | 177,629 |
| **Net Assets:** | 2,537,845 | 969,836 | 3,507,681 | 6,028,711 |
| Total liabilities and net assets | $ 2,724,951 | $ 969,836 | $ 3,694,787 | $ 6,206,340 |

See accompanying notes to the financial statements.

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## Statement of Activities and Changes in Net Assets

*Year Ended December 31, 2025 (with comparative totals for 2024)*

| | 2025 | | | 2024 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **Support and Revenues:** | | | | |
| Contributions and grants | $ 897,677 | $ 562,150 | $ 1,459,827 | $ 3,078,508 |
| In-kind contributions | 588,232 | | 588,232 | 682,867 |
| Program income | 13,300 | | 13,300 | 136,745 |
| Interest income | 98,307 | 8,646 | 106,953 | 204,636 |
| Other income | | | - | 128 |
| Net assets released from restrictions | 2,059,558 | (2,059,558) | - | - |
| Total support and revenues | 3,657,074 | (1,488,762) | 2,168,312 | 4,102,884 |
| **Expenses:** | | | | |
| Program services | 3,337,141 | | 3,337,141 | 4,899,576 |
| Management and general | 801,721 | | 801,721 | 907,128 |
| Development | 550,480 | | 550,480 | 614,306 |
| Total expenses | 4,689,342 | - | 4,689,342 | 6,421,010 |
| **Change in Net Assets from Operations** | (1,032,268) | (1,488,762) | (2,521,030) | (2,318,126) |
| **Non-Operating:** | | | | |
| Gain on Loan forgiveness | | | - | 1,791,556 |
| **Change in Net Assets** | (1,032,268) | (1,488,762) | (2,521,030) | (526,570) |
| **Net Assets,** beginning of year | 3,570,113 | 2,458,598 | 6,028,711 | 6,555,281 |
| **Net Assets**, end of year | $ 2,537,845 | $ 969,836 | $ 3,507,681 | $ 6,028,711 |

See accompanying notes to the financial statements.

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## Statement of Functional Expenses

*Year Ended December 31, 2025 (with comparative totals for 2024)*

| | | Supporting Services | | | | |
|---|---|---|---|---|---|---|
| | Program Services | Management and General | Development | Subtotal | 2025 Total | 2024 Total |
| Salary and benefits | $ 541,630 | $ 494,991 | $ 492,592 | $ 987,583 | $ 1,529,213 | $ 1,904,142 |
| Grants | 717,536 | | | - | 717,536 | 1,174,300 |
| Donated good and services | 520,875 | 67,357 | | 67,357 | 588,232 | 682,867 |
| Reading supplies and content | 266,185 | | | - | 266,185 | 85,072 |
| Professional fees | 383,291 | 106,425 | 3,652 | 110,077 | 493,368 | 969,734 |
| Postage, shipping and customs | 332 | 403 | 313 | 716 | 1,048 | 3,382 |
| Travel | 9,238 | 26,618 | 11,215 | 37,833 | 47,071 | 54,162 |
| Conferences, conventions and meetings | | 1,401 | | 1,401 | 1,401 | 101,308 |
| Office supplies | 79 | 4,104 | 1,319 | 5,423 | 5,502 | 15,667 |
| Business licensing and fees | 18 | 7,777 | 11,765 | 19,542 | 19,560 | 72,458 |
| Marketing | 168,960 | 2,500 | 306 | 2,806 | 171,766 | 79,983 |
| Dues and subscriptions | 89,765 | 72,648 | 13,683 | 86,331 | 176,096 | 279,254 |
| Technology and development | 230,350 | | | - | 230,350 | 103,986 |
| Amortization | 235,201 | | | - | 235,201 | 378,616 |
| Loss on disposal of software development | 169,178 | | | - | 169,178 | 495,771 |
| Other | 4,503 | 17,497 | 15,635 | 33,132 | 37,635 | 20,308 |
| | $ 3,337,141 | $ 801,721 | $ 550,480 | $ 1,352,201 | $ 4,689,342 | $ 6,421,010 |

See accompanying notes to the financial statements.

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## Statement of Cash Flows

| *Year Ended December 31, 2025 (with comparative totals for 2024)* | 2025 | 2024 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Change in net assets | $ (2,521,030) | $ (526,570) |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Amortization of license expense and software development costs | 235,201 | 378,616 |
| Discount on long-term receivables | 9,755 | 65,769 |
| Gain on forgiveness of loan payable | | (1,791,556) |
| Changes in operating assets and liabilities: | | |
| Grants and pledges receivable | 538,832 | 1,634,565 |
| Software development costs | (161,874) | 15,641 |
| Prepaid expenses and other assets | 29,430 | 100,757 |
| Accounts payable and accrued expenses | (20,417) | (229,918) |
| Grants payable | 29,894 | (13,105) |
| Unearned program revenue | | (74,697) |
| Net cash used by operating activities | (1,860,209) | (440,498) |
| **Cash Flows from Financing Activities:** | | |
| Payments on loan payable | | (88,285) |
| Net cash used by financing activities | - | (88,285) |
| **Net Change in Cash and Cash Equivalents** | (1,860,209) | (528,783) |
| **Cash and Cash Equivalents**, beginning of year | 4,306,502 | 4,835,285 |
| **Cash and Cash Equivalents**, end of year | $ 2,446,293 | $ 4,306,502 |

See accompanying notes to the financial statements.

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**Note 1 - Organization:**

Worldreader.org (Worldreader or the Organization) is a global tech nonprofit, providing BookSmart, a free digital reading app that helps families nurture a lifelong love of reading and build joyful daily reading routines with their children aged 0-5. BookSmart offers age-appropriate, culturally aligned fun books, activities and tips. BookSmart, along with their data-informed programs, are built around three pillars-Reading Routines, Reading Games, and Reading Circles—and delivered in partnership with governments, publishers, NGOs, and communities. Since 2010, Worldreader has supported over 22 million readers across over 100 countries through its digital solutions. In 2025 alone, Worldreader reached over 312,000 families and distributed over 1,000,000 digital books.

Worldreader had a majority-owned not-for-profit subsidiary, Digital Reading Foundation. Digital Reading Foundation was registered with the Government of India as a limited-shares private company under the Companies Act 2013, section 7 and incorporated under rule 8 of the Companies Rules, 2014 to advance the mission of Worldreader within India.

The Organization dissolved Digital Reading Foundation effective March 2025, therefore consolidated financial statements are no longer required as of December 31, 2025. The 2024 consolidated financial statements include all the amounts and operations of Worldreader.org and Digital Reading Foundation (collectively Worldreader or the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Worldreader remains affiliated with organizations in Spain, Kenya, and the United Kingdom. Worldreader does not exert control over the affiliated entities in Spain, Kenya and the United Kingdom, therefore the activity of those organizations are excluded from the accompanying financial statements. Worldreader began the dissolution process in 2024, and Worldreader Ghana is now dissolved.

**Note 2 - Summary of Significant Accounting Policies:**

<u>Basis of Accounting</u>

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Worldreader reports information regarding its financial position and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* – the portion of net assets not subject to time or donor-imposed restrictions and may be expended for any purpose in performing the primary objective of Worldreader.

*Net Assets With Donor Restrictions* – the portion of net assets of which use by Worldreader is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Worldreader.

Cash and Cash Equivalents

Worldreader considers all cash and other highly liquid investments with initial maturities of three months or less at the date of purchase to be cash equivalents.

Grants and Pledges Receivable

Grants and pledges receivable consist primarily of commitments made by individuals and foundations. Long term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market rates applicable in the year in which those promises are received. Amortization of the discount is recorded as contribution revenue.

Worldreader uses the allowance method to account for uncollectible contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year. Management has determined that an allowance for uncollectible receivables was not necessary at December 31, 2025 and 2024.

Software Development

Software development costs consist of expenditures related to the development and improvements to the on-line and application platforms used to further enhance the platform to deliver an exciting and meaningful digital reading experience. The Organization capitalizes qualified expenses under the requirements of Accounting Standards Codification (ASC) Topic 985 and ASC Topic 350 governing the treatment for both internal and external software development. All capitalized costs are amortized over the assets estimated useful lives, generally five years. As of December 31, 2025 and 2024, the total capitalized value is $1,190,008 and $1,413,862 and the related accumulated amortization was $514,217 and $664,745, respectively.

Revenue Recognition

Grants and contributions are recognized as revenue when received or unconditionally promised. Worldreader reports contributions as increases in net assets with donor restrictions if such grants and contributions are received with donor stipulations that limit the use of the donation. 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 to net assets without donor restrictions.

In-kind contributions generally consist of donated content, advertising, commercial licenses, and professional services. Contributed services and materials are recorded at their fair market value as of the date of the gift. See Note 7.

Program income primarily represents earnings on government grants and professional service contracts and are recognized when Worldreader incurs the expenditures related to the required services or performance obligation.

Amounts billed or received in advance are recorded as unearned program revenue until the related services or performance obligations are fulfilled. The performance obligations vary from contract to contract; however, the majority relate to the delivery of access to digital content and training services which has been prepaid by the grantee.

Grant Expense and Payable

Grants are made to tax-exempt organizations or equivalent entities with objectives consistent with the mission of Worldreader. Grant expenses are recorded when Worldreader makes an unconditional promise to give. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. Grant cancellations or unspent funds are recorded in the year the grant is cancelled or the funds are returned.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and office supplies are allocated among program services, general and administrative and fundraising based on actual use. Facility, operational and depreciation expenses have been allocated on the basis of full-time equivalency of staffing in each function.

Income taxes

Worldreader is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization which is not a private foundation as defined by Sections 509(a)(1) and 170(b)(i)(A)(vi) of the IRC.

As of December 31, 2025 and 2024, management evaluated Worldreader's tax positions and concluded that Worldreader had maintained its tax-exempt status and had no uncertain tax positions that require adjustment to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2024 from which the summarized information was derived.

Subsequent Events

Worldreader evaluated subsequent events with respect to the financial statements for the year ended December 31, 2025 through August 12, 2026, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**Note 3 - Financial Results:**

For the year ended December 31, 2025, Worldreader's aggregate net asset position was $3,507,681, consisting of $2,537,845 in net assets without donor restrictions and $969,836 in net assets with donor restrictions as a result of a loss in change in net assets from operations of $2,521,030. Worldreader's year-over-year cash decrease of $1,860,209 was primarily due to the timing of contributed revenue, a major component of Worldreader's operational support. Worldreader maintained a cash balance of $2,446,293 at year-end despite the decrease in cash.

In 2025, Worldreader continued its restructuring by continuing to streamline operations, restructure governance, and refine programs to ensure long-term impact. Operational changes included consolidation of technology assets and the integration of enterprise systems for a stronger return on investment and impact. Worldreader also demonstrated strong donor trust with 67% of individual donors having supported Worldreader for over 15 years and the average gift more than doubled in the year. In addition, Worldreader experienced an increase of 147% in individual giving from 2024 and added 59 new donors.

In 2026, through June 30, 2026, Worldreader has continued to execute its financial turnaround plan and has achieved operating results that are in line with, or ahead of, management's expectations. Through June 2026, the Organization reported an operating loss of approximately $854,000, representing an improvement of $803,794 compared with the same period in 2025 and $39,000 better than budget. In addition, Worldreader achieved year-to-date fundraising results of $878,345, strengthening its liquidity position. Through June of 2026, Worldreader is meeting its projected revenue goals and managing expenses below planned levels.

Management believes these operating and fundraising results, together with a stronger pipeline of prospective institutional and individual donors, demonstrate meaningful progress in the Organization's financial turnaround and provide positive momentum for the remainder of 2026 and into 2027.

As part of its program refinement strategy, Worldreader also received external validation of BookSmart's promising impact through an evaluation by ICEI, secured endorsement from the Learning Cabinet, a UNICEF-led initiative, and earned three certifications from EduEvidence.

These achievements have expanded funding opportunities with organizations such as the Rockefeller Foundation and Renaissance Philanthropy. In addition, Worldreader secured introductions to new publishing partners, including Pottermore Publishing (Harry Potter) and The Trevor Noah Foundation, supporting future program growth and impact.

**Note 4 - Grants and Pledges Receivable:**

Grants and pledges receivable, net consisted of the following at December 31:

| | 2025 | 2024 |
|---|---|---|
| Individuals | $ 475,929 | $ 585,000 |
| Foundations | | 415,054 |
| Contract and other receivables | 17,843 | 52,060 |
| | 493,772 | 1,052,114 |
| Less discount to present value | (7,472) | (17,227) |
| Total grants and pledges receivable, net | $ 486,300 | $ 1,034,887 |

Receivables as of December 31, 2025 are expected to be collected as follows:

| | |
|---|---|
| Year Ending December 31, | |
| 2026 | $ 343,772 |
| 2027 | 75,000 |
| 2028 | 75,000 |
| Total | $ 493,772 |

**Note 5 - Net Assets with Donor Restrictions:**

Net assets with donor restrictions consisted of the following as of December 31:

| | 2025 | 2024 |
|---|---|---|
| Grants and programs | $ 293,507 | $ 1,758,598 |
| Time restricted | 476,329 | 500,000 |
| Restricted in perpetuity | 200,000 | 200,000 |
| Total | $ 969,836 | $ 2,458,598 |

During 2025 and 2024, net assets were released from donor restrictions by incurring expenses or through the passage of time as follows:

| | 2025 | 2024 |
|---|---|---|
| Purpose restricted | $ 1,672,058 | $ 1,728,927 |
| Time restricted | 387,500 | 3,183,984 |
| Total | $ 2,059,558 | $ 4,912,911 |

**Note 6 - Availability of Financial Assets and Liquidity:**

Worldreader's financial assets available for general expenditures within one year of the date of the Statement of Financial Position were as follows at December 31:

| | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | $ 2,446,293 | $ 4,306,502 |
| Grants and pledges receivable, net | 486,300 | 1,034,887 |
| Total financial assets | 2,932,593 | 5,341,389 |
| Less net assets with donor restrictions, including long term receivables | (769,836) | (2,258,598) |
| Less restricted in perpetuity | (200,000) | (200,000) |
| Add net assets with donor restrictions expected to be met in less than a year | 583,507 | 1,819,738 |
| | (386,329) | (638,860) |
| Financial assets available to meet general expenditures over the next twelve months | $ 2,546,264 | $ 4,702,529 |

As part of its liquidity plan, excess cash is invested in short-term liquid products, including money market accounts and high-yield money market accounts.

**Note 7 - In-Kind Contributions:**

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended December 31, 2025, the amount of $588,232 has been reflected in the financial statements without donor restrictions and primarily consisted of donated advertising of $518,000, legal services of $67,357, content of $475, and commercial licenses of $2,400. In-kind contributions of $588,232 were utilized in programs activities. For the year ended December 31, 2024, the amount of $682,867 has been reflected in the financial statements primarily consisting of donated advertising of $655,194, legal services of $23,931, content of $1,342, and commercial licenses of $2,400. In-kind contributions of $682,867 were utilized in programs activities. The value of legal services, content, and commercial licenses is based on market rates typically charged for those items in the normal course of business for similar services and products.

**Note 8 - Affiliate Transactions:**

Worldreader is affiliated with organizations in Spain, Kenya, and the United Kingdom. The organizations work together to coordinate worldwide activities and communications. Worldreader does not exert control over the affiliated entities, therefore the activity of those organizations is excluded from the accompanying financial statements. During the years ended December 31, 2025 and 2024, Worldreader granted $616,786 and $914,860, respectively, to these organizations. These awards are reflected as grants expense in the accompanying financial statements. The Board of the Ghana affiliate approved dissolution of the entity in 2024 and Spain and Kenya have reorganized their operations in 2024, therefore Worldreader’s grants to these affiliates are substantially reduced in 2025.

**Note 9 - Concentrations of Credit Risk:**

Worldreader has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash and receivables.

Periodically, throughout the year, Worldreader has maintained balances in various operating bank accounts in excess of federally insured limits. Worldreader invests its excess cash in money market funds and high-yield money market accounts with major financial institutions. As of December 31, 2025 cash subject to credit risk is approximately $1,332,000 of cash deposits over federally insured limits. Approximately 23% of Worldreader’s revenue (excluding in-kind contributions) for the year ended December 31, 2025, was derived from contributions and grants from two donors. As of December 31, 2025, approximately 93% of the balance of grants and pledges receivable were due from three donors, one of which is an expected continuation of a multi-year funded project with activity through 2028.

Approximately 70% of Worldreader’s revenue (excluding in-kind contributions) for the year ended December 31, 2024, was derived from contributions and grants from two donors. As of December 31, 2024, approximately 63% of the balance of grants and pledges receivable were due from two donors, one of which is an expected continuation of a multi-year funded project with activity through 2028.

**Note 10 - Related Party Transactions:**

<u>Contributions</u>

Collectively, certain board members made monetary contributions totaling approximately $626,000 during the year ended December 31, 2025. Pledges receivable from certain board members amounted to approximately $202,000 at December 31, 2025.

Collectively, certain board members made monetary contributions totaling $1,500,000 during the year ended December 31, 2024. Pledges receivable from certain board members amounted to approximately $165,000 at December 31, 2024.

Relationship with Affiliates

Certain members of Worldreader's Board of Directors serve as board members of certain affiliates to which Worldreader makes grants.