LOFTIS & LOVATO
GROUP
CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements
and
Independent Auditor's Report

December 31, 2025 and 2024

Reading Quest

Table of Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-16

LOFTIS & LOVATO
GROUP
CERTIFIED PUBLIC ACCOUNTANTS

5501 Eagle Rock Ave., NE, Suite C-5
Albuquerque, NM87113
Direct (505) 293-5009
Fax (505) 293-3597
www.loftiscpas.com

Independent Auditor's Report

To the Board of Directors
of Reading Quest

Opinion

We have audited the accompanying financial statements of Reading Quest (a 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading Quest 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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Reading Quest and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Reading Quest's 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Reading Quest'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 Reading Quest'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.

Loftis & Lovato Group

Albuquerque, New Mexico
June 3, 2026

Financial Statements

Reading Quest
Statements of Financial Position
December 31,

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	**$ 604,418**	$ 526,994
Receivables	**126,008**	101,729
Prepaids and other assets	**5,220**	1,454
Total current assets	**735,646**	630,177
Noncurrent Asset		
Right-of-use assets, property and equipment, net	**128,539**	8,338
Total noncurrent asset	**128,539**	8,338
Total assets	**$ 864,185**	$ 638,515
Liabilities and Net Assets		
Current liabilities		
Accounts payable	**$ 3,021**	$ 354
Accrued expenses	**9,701**	7,200
Lease liability - current portion	**46,158**	-
Total current liabilities	**58,880**	7,554
Long-term liabilities		
Lease liability - long-term portion	**83,275**	-
Total long-term liabilities	**83,275**	-
Total liabilities	**142,155**	-
Net assets		
Without donor restrictions	**563,107**	541,524
With donor restrictions	**158,923**	89,437
Total net assets	**722,030**	630,961
Total liabilities and net assets	**$ 864,185**	$ 638,515

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

Reading Quest
Statement of Activities
For the Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	$ 550,019	$ 115,396	$ 665,415
Program services	494,567	-	494,567
Interest income	10,366	-	10,366
Other income	29	-	29
Net assets released from restriction	45,910	(45,910)	-
Total support and revenue	1,100,891	69,486	1,170,377
Expenses			
Program services	917,793	-	917,793
Supporting services			
Management and general	106,904	-	106,904
Fundraising	54,611	-	54,611
Total supporting services	161,515	-	161,515
Total expenses	1,079,308	-	1,079,308
Change in net assets	21,583	69,486	91,069
Net assets, beginning of year	541,524	89,437	630,961
Net assets, end of year	$ 563,107	$ 158,923	$ 722,030

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

Reading Quest
Statement of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	$ 492,248	$ 89,437	$ 581,685
Program services	393,118	-	393,118
In-kind contributions	4,247	-	4,247
Other income	5,312	-	5,312
Net assets released from restriction	11,775	(11,775)	-
Total support and revenue	906,700	77,662	984,362
Expenses			
Program services	750,559	-	750,559
Supporting services			
Management and general	82,439	-	82,439
Fundraising	57,719	-	57,719
Total supporting services	140,158	-	140,158
Total expenses	890,717	-	890,717
Change in net assets	15,983	77,662	93,645
Net assets, beginning of year	525,541	11,775	537,316
Net assets, end of year	$ 541,524	$ 89,437	$ 630,961

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

Reading Quest
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program	Management and General	Fundraising	Total
Salaries and wages	$ 684,328	$ 30,439	$ 37,259	$ 752,026
Payroll taxes and benefits	94,530	2,977	6,858	104,365
Professional services	43,565	26,090	2,395	72,050
Rent and lease	42,319	9,735	2,201	54,255
Program supplies	27,202	927	-	28,129
Office	6,339	6,477	3,188	16,004
Travel	10,780	298	-	11,078
Personnel	3,619	6,715	-	10,334
Dues and subscriptions	394	5,822	2,188	8,404
Insurance	-	6,696	-	6,696
Miscellaneous	-	4,488	100	4,588
Depreciation	-	4,553	-	4,553
Fees and licenses	3,208	93	422	3,723
Awards and gifts	248	1,323	-	1,571
Family support	936	-	-	936
Advertising and marketing	325	271	-	596
Total expenses	$ 917,793	$ 106,904	$ 54,611	$ 1,079,308

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

Reading Quest
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program	Management and General	Fundraising	Total
Salaries and wages	$ 629,675	$ 24,219	$ 42,613	$ 696,507
Payroll taxes and benefits	60,383	2,028	5,192	67,603
Professional services	27,575	16,676	4,541	48,792
Rent and lease	-	3,897	-	3,897
Program supplies	19,727	1,717	11	21,455
Office	3,784	5,009	2,109	10,902
Personnel	2,300	1,466	-	3,766
Dues and subscriptions	986	4,748	2,507	8,241
Insurance	-	5,518	-	5,518
Miscellaneous	1,055	2,444	14	3,513
Depreciation	-	13,763	-	13,763
Fees and licenses	3,367	403	80	3,850
Awards and gifts	42	196	8	246
Family support	1,665	-	-	1,665
Advertising and marketing	-	355	644	999
Total expenses	$ 750,559	$ 82,439	$ 57,719	$ 890,717

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

Reading Quest
Statements of Cash Flows
For the Years Ended December 31,

	2025	2024
Cash flows from operating activities		
Cash received from contributions and grants	**$ 641,136**	$ 524,331
Cash received from program services	**494,567**	393,118
Cash received for interest	**10,366**	-
Other cash receipts	**29**	5,312
Cash paid to employees and suppliers	**(1,072,674)**	(878,431)
Net cash provided by operating activities	**73,424**	44,330
Cash flows from investing activities		
Proceeds from sale of a vehicle	**4,000**	-
Net cash provided by investing activities	**4,000**	-
Net increase in cash and cash equivalents	**77,424**	44,330
Cash and cash equivalents, beginning of year	**526,994**	482,664
Cash and cash equivalents, end of year	**$ 604,418**	$ 526,994
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	**$ 91,069**	$ 93,645
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**4,553**	13,763
Donated equipment	**-**	(4,180)
Change in assets and liabilities		
Receivables	**(24,279)**	(57,354)
Prepaids and other assets	**(3,766)**	(305)
Accounts payable	**2,667**	(2,611)
Accrued expenses	**2,501**	1,372
Net lease activity	**679**	-
Total adjustments	**(17,645)**	(49,315)
Net cash provided by operating activities	**$ 73,424**	$ 44,330

During the year ended December 31, 2025, Reading Quest entered into an operating lease for office space that resulted in an initial non-cash right-of-use asset and operating lease liability of approximately $168,000.

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

Reading Quest
Notes to Financial Statements
December 31, 2025 and 2024

1) The Organization

Reading Quest is a New Mexico nonprofit corporation organized under the laws of the State of New Mexico in 2015. Reading Quest's mission is to provide educational materials, curricula, training, professional development and other forms of educational support with the goal of teaching children to read.

The mission is accomplished by providing the following:

- year-round, free and affordable individual and small group tutoring,
- professional development, training and coaching, and
- free, intensive "Reading is Magic" summer programs.

Reading Quest is supported primarily by grants from foundations, individual contributions and contract services for tutoring and workshops.

2) Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of Reading Quest have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation
The financial statements of Reading Quest have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Reading Quest to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Reading Quest. These net assets may be used at the discretion of management and the board of directors.

- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Reading Quest or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

2) Summary of Significant Accounting Policies — continued

Contributions
Reading Quest reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or specify the time period for which the assets may be expended. When a donor 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 restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Cash and cash equivalents
For purposes of the statements of cash flows, Reading Quest considers all unrestricted liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Financial Instruments
Reading Quest financial instruments include cash and cash equivalents, receivables, prepaids and other assets, accounts payable and accrued expenses. Reading Quest estimates that the fair value of all financial instruments at December 31, 2025 and 2024 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

Receivables
Contributions receivable represent unconditional pledges by foundations and individuals. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Program service receivables are for tutoring and other educational services provided. These services are billed monthly, as provided.

Contributed Materials and Services
Reading Quest recognizes contributed materials and services if they create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services are recorded at the fair value of the services on the date of donation. Donated materials are recorded at fair value on the date of donation.

2) Summary of Significant Accounting Policies — continued

Property and Equipment

Purchased property and equipment is stated at cost. Property and equipment received by donation is recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Reading Quest reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Reading Quest reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Purchased or donated property in excess of $1,000 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives of three to five years.

Revenue from Contracts with Customers

Reading Quest has adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The guidance requires Reading Quest to recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which Reading Quest expects to be entitled in exchange for those goods and services.

The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements, changes in judgements and assets recognized from the costs to obtain or fulfill a contract.

Reading Quest has contracts to provide educational services. Revenues related to these contracts are tutoring and other education services and are included in program service revenue in the statements of changes in net assets. Revenue is billed monthly after services are provided. Receivables at December 31, 2024 and 2023, of approximately $102,000 and $44,000, respectively, were collected in the years ended December 31, 2025 and 2024, for tutoring and education services.

2) Summary of Significant Accounting Policies — continued

Leases

The FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statements of financial position, a liability to make lease payments (the "lease liability"), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statements of cash flows.

At December 31, 2025, Reading Quest entered a office space lease agreement that was required to be accounted for in accordance with ASU 2016-02 *Leases.*

Income Taxes

Reading Quest is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation. Reading Quest regularly evaluates activities as it relates to its tax exempt status. If Reading Quest activities are determined to be outside of its tax exempt status the potential exists for tax liabilities on those unrelated activities. Currently, Reading Quest engages in no activities that would be taxed as unrelated business income. Accordingly, no provision for income taxes has been reflected in the Reading Quest financial statements. Reading Quest income tax filings are subject to audit by various taxing authorities. Reading Quest open audit periods are for the years ended December 31, 2022 and thereafter. Reading Quest adopted the provision of FASB ASC 740-10, "Accounting for Uncertainty in Income Taxes". Reading Quest has not recognized any changes to the financial statements for uncertain tax positions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

2) Summary of Significant Accounting Policies — continued

Functional Allocation of Expenses
The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Significant allocations are determined by management on an equitable basis, as detailed below:

Expense	**Method of Allocation**
Salaries and wages	Time spent
Payroll taxes and benefits	Time spent
Professional services	Specific identification
Rent and lease	Square footage
Program supplies	Specific identification

Subsequent events
Management has evaluated subsequent events through June 3, 2026, the date the financial statements were available to be issued.

3) Receivables

Receivables at December 31, 2025 and 2024 were approximately $126,000 and $102,000. Receivables for education services were approximately $96,000 and $44,000 at December 31, 2025 and 2024, respectively. In addition, at December 31, 2025 and 2024, there was contributions receivable of approximately $30,000 and $58,000 from multiple foundations.

No credit loss for uncollectible receivables was deemed necessary at December 31, 2025 and 2024, as all receivables are considered collectible and expected to be collected in 2026.

4) Right-of-Use Assets, Property and Equipment

Right-of-use assets, property and equipment consist of the following at December 31,:

	2025	2024
AV Equipment	**$ 38,500**	$ 38,500
Office Equipment	**7,598**	7,598
Vehicle	**-**	4,180
Right-of-use asset-operating lease	**128,377**	-
Less accumulated depreciation	**(45,936)**	(41,940)
Right-of-use assets, property and equipment, net	**$ 128,539**	$ 8,338

4) Right-of-Use Assets, Property and Equipment – continued

Depreciation expense was $4,553 and $13,763 for the years ended December 31, 2025 and 2024, respectively.

5) Net Assets With Donor Restrictions

Net assets with donor restrictions consists of the following at December 31,:

	2025	2024
Keeler Foundation	**$ 52,127**	$ 89,437
Jack Beaty Foundation	**32,762**	-
Nickoloff Family Foundation	**24,387**	-
Seabury Foundation	**20,000**	-
Santa Fe Hestia Fund	**15,132**	-
LOR Foundation	**14,515**	-
Total	**$ 158,923**	$ 89,437

6) Net Assets Released From Restriction

Net assets released from restriction consists of the following for the years ended December 31,:

	2025	2024
Keeler Foundation	**$ 45,910**	$ -
New Mexico Foundation	**-**	11,775
Total	**$ 45,910**	$ 11,775

7) Availability and Liquidity

The following represents Reading Quest's financial assets at December 31:

	2025	2024
Financial assets at year end:		
Cash	**$ 604,418**	$ 526,994
Receivables	**126,008**	101,729
Total financial assets	**730,426**	628,723
Financial assets available to meet general expenditures over the next twelve months	**$ 730,426**	$ 628,723

Reading Quest's goal is to retain cash for up to three months of operating expenses.

8) Lease Activity

In January 30, 2025, Reading Quest entered into a leasing agreement for in-house tutoring services space. The term of the lease has a period of eighteen months beginning on February 1, 2025, and ending on July 31, 2026. Reading Quest has the ability to extend the lease until July 31, 2028 on a 2.5% annual increase on rent per year from the year prior.

The following summarizes the line items in the statements of financial position which include amounts for the operating lease at December 31,:

	2025	2024
Operating lease right-of-use asset	**$ 128,377**	$ -
Lease liability - current	**$ 46,158**	$ -
Lease liability - long-term	**83,275**	-
Total operating lease liability	**$ 129,433**	$ -

The maturities of lease liabilities at December 31, 2025 were as follows:

Year ending December 31,:	
2026	$ 53,979
2027	55,326
2028	32,739
Total lease payments	142,044
Less: interest	(12,611)
Present value of lease liabilities	$ 129,433

The weighted average of the remaining leaser term at December 31, 2025 was 2.6 years. The discount rate used related to the lease liability was 7.5%.

The statement of activities includes the operating lease costs of approximately $49,000 for the year ended December 31, 2025. This cost is included as rent in the statement of functional expenses.

The cash paid for amounts included in the measurement of the operating lease liability was approximately $39,000 for the year ended December 31, 2025.

9) Concentrations

Reading Quest maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times during the years ended December 31, 2025 and 2024, these cash balances may have exceeded the insured limits of the FDIC. Reading Quest has not experienced any losses in these cash accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

10) Retirement Plan

Reading Quest adopted a 403(b) Retirement plan during 2025 that covers all eligible staff. Reading Quest has elected to make a matching contribution of 3% of eligible participants' eligible compensation to the plan. The contribution expense for the year ended December 31, 2025 was approximately $18,000.