

LEARNING MATTERS, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Learning Matters, Inc.
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Learning Matters, Inc. (the Organization), a non-profit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the Organization 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.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2022, were audited by other auditors whose report dated February 27, 2023, expressed an unmodified opinion on those statements.

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 the 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 the Organization's ability to continue as a going concern within one year after the date 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 the 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



Puryear & Noonan, CPAs
Nashville, Tennessee
February 19, 2024

LEARNING MATTERS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Cash	\$	230,695	\$ 316,320
Certificate of deposit		101,577	-
Accounts receivable, net		71,188	68,159
Prepaid expenses		<u>11,255</u>	<u>6,370</u>
TOTAL ASSETS	\$	<u>414,715</u>	<u>\$ 390,849</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accrued expenses	\$	21,258	\$ 19,076
Contract liabilities		<u>51,226</u>	<u>50,415</u>
TOTAL LIABILITIES		<u>72,484</u>	<u>69,491</u>
NET ASSETS			
Net assets without donor restrictions			
Board designated operating reserve		156,000	126,000
Undesignated		<u>186,231</u>	<u>195,358</u>
TOTAL NET ASSETS		<u>342,231</u>	<u>321,358</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>414,715</u>	<u>\$ 390,849</u>

See accompanying notes to financial statements.

LEARNING MATTERS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
<i>Program service revenue</i>						
Teaching fees	\$ 523,409	\$ -	\$ 523,409	\$ 476,501	\$ -	\$ 476,501
Less: discounts provided	(88,269)	-	(88,269)	(104,383)	-	(104,383)
Net teaching revenue	435,140	-	435,140	372,118	-	372,118
Assessment fees	220,110	-	220,110	209,692	-	209,692
<i>Other public support</i>						
Grants	36,240	-	36,240	44,290	-	44,290
Contributions	44,256	-	44,256	52,782	-	52,782
Other income	3,988	-	3,988	314	-	314
Net assets released from restrictions	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	739,734	-	739,734	679,196	-	679,196
EXPENSES						
Program services:						
Teaching	305,700	-	305,700	287,691	-	287,691
Assessment	229,372	-	229,372	160,460	-	160,460
Advocacy	10,259	-	10,259	13,491	-	13,491
Supporting services:						
Management and general	129,672	-	129,672	85,129	-	85,129
Fundraising	43,858	-	43,858	54,920	-	54,920
TOTAL EXPENSES	718,861	-	718,861	601,691	-	601,691
CHANGE IN NET ASSETS	20,873	-	20,873	77,505	-	77,505
NET ASSETS - BEGINNING OF YEAR	321,358	-	321,358	243,853	-	243,853
NET ASSETS - END OF YEAR	\$ 342,231	\$ -	\$ 342,231	\$ 321,358	\$ -	\$ 321,358

See accompanying notes to financial statements.

LEARNING MATTERS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 20,873</u>	<u>\$ 77,505</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	10,868	4,955
(Increase) decrease in:		
Accounts receivable, net	(13,897)	20,307
Prepaid expenses	(4,885)	(4,875)
Increase (decrease) in:		
Accrued expenses	2,182	10,162
Contract liabilities	<u>811</u>	<u>4,804</u>
TOTAL ADJUSTMENTS	<u>(4,921)</u>	<u>35,353</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>15,952</u>	<u>112,858</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	<u>(101,577)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(101,577)</u>	<u>-</u>
NET CHANGE IN CASH	(85,625)	112,858
CASH - BEGINNING OF YEAR	<u>316,320</u>	<u>203,462</u>
CASH - END OF YEAR	<u>\$ 230,695</u>	<u>\$ 316,320</u>

See accompanying notes to financial statements.

LEARNING MATTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>		
	<u>TEACHING</u>	<u>ASSESSMENT</u>	<u>ADVOCACY</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>Total</u>
Salaries and wages	\$ 240,355	\$ 184,290	\$ 8,480	\$ 433,125	\$ 96,677	\$ 30,529	\$ 560,331
Payroll taxes	19,290	15,000	650	34,940	7,533	2,340	44,813
 SALARIES AND RELATED EXPENSES	 259,645	 199,290	 9,130	 468,065	 104,210	 32,869	 605,144
Bad debt expense	10,868	-	-	10,868	-	-	10,868
Bank charges	10,483	4,493	-	14,976	-	-	14,976
Dues and memberships	-	-	-	-	1,219	-	1,219
Insurance	3,359	2,290	153	5,802	1,374	458	7,634
Marketing materials	-	-	-	-	-	7,419	7,419
Occupancy	3,960	2,700	180	6,840	1,620	540	9,000
Payroll services	-	-	-	-	3,296	-	3,296
Professional development	3,360	-	-	3,360	-	-	3,360
Professional services	-	-	-	-	10,051	-	10,051
Supplies and materials	7,262	15,988	489	23,739	5,135	1,650	30,524
Technology costs	6,763	4,611	307	11,681	2,767	922	15,370
 TOTAL EXPENSES	 <u>\$ 305,700</u>	 <u>\$ 229,372</u>	 <u>\$ 10,259</u>	 <u>\$ 545,331</u>	 <u>\$ 129,672</u>	 <u>\$ 43,858</u>	 <u>\$ 718,861</u>

See accompanying notes to financial statements.

LEARNING MATTERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>		
	<u>TEACHING</u>	<u>ASSESSMENT</u>	<u>ADVOCACY</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>		<u>Total</u>
					<u>FUNDRAISING</u>		
Salaries and wages	\$ 236,021	\$ 134,052	\$ 11,318	\$ 381,391	\$ 58,206	\$ 40,420	\$ 480,017
Payroll taxes	17,338	9,709	694	27,741	4,161	2,774	34,676
 SALARIES AND RELATED EXPENSES	 253,359	 143,761	 12,012	 409,132	 62,367	 43,194	 514,693
Bad debt expense	4,955	-	-	4,955	-	-	4,955
Bank charges	9,939	-	-	9,939	-	-	9,939
Dues and memberships	-	-	-	-	350	-	350
Insurance	3,103	1,781	194	5,078	1,098	743	6,919
Marketing materials	-	-	-	-	-	4,067	4,067
Miscellaneous	141	-	-	141	2,477	2,222	4,840
Occupancy	1,845	1,435	718	3,998	3,690	2,562	10,250
Payroll services	-	-	-	-	3,183	-	3,183
Professional development	4,858	-	-	4,858	-	-	4,858
Professional services	-	-	-	-	8,800	-	8,800
Supplies and materials	3,026	9,863	308	13,197	1,612	1,098	15,907
Technology costs	6,465	3,620	259	10,344	1,552	1,034	12,930
 TOTAL EXPENSES	 <u>\$ 287,691</u>	 <u>\$ 160,460</u>	 <u>\$ 13,491</u>	 <u>\$ 461,642</u>	 <u>\$ 85,129</u>	 <u>\$ 54,920</u>	 <u>\$ 601,691</u>

See accompanying notes to financial statements.

LEARNING MATTERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - GENERAL

Learning Matters, Inc. (the “Organization”) is a not-for-profit corporation organized in 2006, under the laws of the State of Tennessee. Learning Matters works to reduce barriers to learning and ensure educational equity for K-12 students with learning disabilities through skillful academic assessment, interventional tutoring, and school advocacy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Organization 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 the Organization. These net assets may be used at the discretion of the Organization’s 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are currently no net assets with donor restrictions at June 30, 2023 and 2022.

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

Cash and Certificate of Deposit

For the purposes of the statement of cash flows, the Organization considers all unrestricted cash and investments with maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, the Organization had no cash equivalents. During the year ended June 30, 2023, the Organization purchased a certificate of deposit which matures October 2024.

LEARNING MATTERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization recognizes revenue from program services when the performance obligations, detailed in the contracts with customers, are fulfilled. The contract price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our contracts typically have one performance obligation, which is providing tutoring or assessment services. If more than one performance obligation exists, we allocate transaction prices to the performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. In determining when and how revenue is recognized, we perform the following five step analysis: (1) identification of contract with participant or sponsor, (2) determination of performance obligations, (3) measurement of the transaction price, (4) allocation of the transaction price to the performance obligations, and (5) recognition of revenue when or as we satisfy each performance obligation. Clients are billed for the next month's services, and payments are due within 30 days. Billings for services not yet provided are recorded as contract liabilities on the statements of financial position. Discounts are provided based on family income. Bad debts are recognized using the allowance method based on evaluating outstanding amounts.

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Contribution of Non-Financial Assets

Any gifts of equipment, facilities or materials are reported as net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service. There were no material contributions of non-financial assets received during the years ended June 30, 2023 and 2022.

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Organization. Other contributions of non-financial assets include delivery charges and reduced rental costs, which are valued at the fair market value if purchased.

A substantial number of unpaid volunteers have contributed their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it does not meet the criteria noted above.

LEARNING MATTERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization was required to adopt the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*, effective July 1, 2022. Under this guidance, leases are required to record a right-to-use ("ROU") asset and liability for its leases. The guidance allows organizations to not recognize ROU assets and liabilities for leases with a term of twelve months or less, therefore the Organization has not recorded a lease asset or liability on June 30, 2023.

The Organization did not record any in-kind revenue or expense for the fair value of the commercial lease due to the amount being undeterminable.

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying financial statements:

Program Services:

Teaching - One-on-one learning support for students impacted by a learning disability, primarily dyslexia. Interventional tutoring, such as the structured literacy we provide, is very expensive and unattainable for low-moderate income families. We provide this service at little, or no cost based on family income. A credentialed teacher trained in the specific area of need is thoughtfully paired with each student. Typically, teachers work with their students twice per week for an hour each session. Intervention could last a semester or several years. Students do not need to have a diagnosed learning disability to receive services.

Assessment - An academic assessment provides detailed information about the unique way each student learns. Our experienced team of evaluators are experts in their fields and include clinical psychologists, speech and language pathologists, and reading diagnosticians. Our evaluators use nationally normed protocols that can identify a learning disability, ADD/ADHD, and anxiety, even if a learning disability is not diagnosed. Parents can learn their child's strengths and weaknesses, which may be the cause of learning struggles in school. The diagnostic results of a psycho-educational, and/or psycho-emotional, assessment can be used for eligibility of accommodations through an IEP or 504 plan in school.

Advocacy - Acquiring academic accommodations and supports for a student in the school can be an overwhelming and intimidating process. Learning Matters advocates help parents navigate the complex process and attend school meetings on behalf of the student. Involving an advocate allows the parent to emotionally support their child while the advocate helps attain services based on the law and what is in the best interest of the student. Advocacy is provided at no cost to families in need.

LEARNING MATTERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued)

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the agency. Specific activities include agency oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management. The expenses that are allocated include salaries and related taxes and benefits and depreciation, which are allocated on the basis of estimates of time expended on those resources.

Fair Value Measurements

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, certificate of deposit and other short-term assets and liabilities. For these financial assets, carrying values approximate fair value.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization files a U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

LEARNING MATTERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and February 19, 2024, the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

Certain prior year numbers have been reclassified to conform with the current year's presentation. These reclassifications had no effect on the prior year change in net assets or components of net assets as previously presented.

NOTE 3 - LIQUIDITY

The following represents the Organization's financial assets available to meet general expenditures over the next twelve months at December 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash	\$ 230,695	\$ 316,320
Certificate of deposit	101,577	-
Accounts receivable	71,188	68,159
Less amounts not available to be used within one year:		
Board designated reserve	<u>(156,000)</u>	<u>(126,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 247,460</u>	<u>\$ 258,479</u>

As a part of the Organization's liquidity management program, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Board of Directors has designated certain amounts as a general reserve at June 30, 2023 and 2022, respectively, which is approximately 4.5 months of fixed costs and includes the certificate of deposit. These amounts are not to be used for current operations; however, funds may be drawn on in the event of financial distress.

LEARNING MATTERS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and accounts receivable.

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

The Organization's revenues are concentrated in teaching and assessments for students in the Middle Tennessee area, however no individual or family makes up a significant portion of revenues.

NOTE 5 - CONTRACT ASSETS AND LIABILITIES

Contract assets and liabilities consisted of the following at June 30:

	<u>Accounts Receivable</u>		<u>Contract Liabilities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Beginning of year	<u>\$ 68,159</u>	<u>\$ 93,421</u>	<u>\$ 50,415</u>	<u>\$ 45,611</u>
End of year	<u>\$ 71,188</u>	<u>\$ 68,159</u>	<u>\$ 51,226</u>	<u>\$ 50,415</u>

Accounts receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 80,900	\$ 81,471
Less: allowance for bad debts	<u>(9,712)</u>	<u>(13,312)</u>
Accounts receivable, net	<u>\$ 71,188</u>	<u>\$ 68,159</u>

NOTE 6 - RECENT ACCOUNTING STANDARDS

New accounting pronouncements are issued by standard-setting bodies that the Organization adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective as either not applicable at this time or will not have a material impact on the financial statements upon adoption.