

LEARNING MATTERS, INCORPORATED
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

LEARNING MATTERS, INCORPORATED
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Learning Matters, Incorporated

Opinion

We have audited the accompanying financial statements of Learning Matters, Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022, and 2021, 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 Learning Matters, Incorporated as of June 30, 2022, and 2021, 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 Learning Matters, Incorporated 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 as of June 30, 2021, were audited by Patterson, Hardee & Ballentine, P.C., who merged with UHY, LLP as of December 1, 2022, and whose report dated February 9, 2022, 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 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 Learning Matters, Incorporated'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 Learning Matters, Incorporated'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 Learning Matters, Incorporated'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.

The image shows a handwritten signature in black ink. The letters 'UHY' are written in a large, stylized, cursive font, followed by 'LLP' in a smaller, more standard cursive font.

Nashville, TN
February 27, 2023

LEARNING MATTERS, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 316,320	\$ 203,462
Accounts receivable, net	68,159	93,421
Prepaid expenses	6,370	1,495
Total current assets	<u>390,849</u>	<u>298,378</u>
 Total Assets	 <u>\$ 390,849</u>	 <u>\$ 298,378</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accrued expenses	\$ 19,076	\$ 8,914
Contract liabilities	<u>50,415</u>	<u>45,611</u>
Total current liabilities	<u>69,491</u>	<u>54,525</u>
 Total Liabilities	 <u>69,491</u>	 <u>54,525</u>
Net Assets:		
Without donor restrictions		
Board designated operating reserve	126,000	-
Undesignated	<u>195,358</u>	<u>243,853</u>
Total net assets without donor restrictions	<u>321,358</u>	<u>243,853</u>
With donor restrictions	-	-
 Total Net Assets	 <u>321,358</u>	 <u>243,853</u>
 Total Liabilities and Net Assets	 <u>\$ 390,849</u>	 <u>\$ 298,378</u>

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
Public Support and Revenue:			
Teaching Fees	\$ 526,698	\$ -	\$ 526,698
Less: discounts provided	(104,383)	-	(104,383)
Net teaching fees	422,315	-	422,315
Assessment Fees	159,495	-	159,495
Grants	44,290	-	44,290
Contributions	52,782	-	52,782
Other Income	314	-	314
Net assets released from restriction	-	-	-
Total revenues	679,196	-	679,196
Total public support and revenue	679,196	-	679,196
Expenses:			
Program Services:			
Teaching	287,691	-	287,691
Assessment	160,460	-	160,460
Advocacy	13,491	-	13,491
Total program services	461,642	-	461,642
Supporting Services			
Management and general	85,129	-	85,129
Fundraising	54,920	-	54,920
Total expenses	601,691	-	601,691
Change in net assets	77,505	-	77,505
Net assets - beginning of year	243,853	-	243,853
Net assets - end of year	\$ 321,358	-	\$ 321,358

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Public Support and Revenue:			
Teaching Fees	\$ 500,778	\$ -	\$ 500,778
Less: discounts provided	<u>(107,748)</u>		<u>(107,748)</u>
Net teaching fees	393,030	-	393,030
Assessment Fees	172,877	-	172,877
Contracts	18,551	-	18,551
Grants	57,250	-	57,250
Contributions	48,776	-	48,776
Other Income	97,101	-	97,101
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>787,585</u>	<u>-</u>	<u>787,585</u>
 Total public support and revenue	 <u>787,585</u>	 <u>-</u>	 <u>787,585</u>
Expenses:			
Program Services:			
Teaching	273,870	-	273,870
Assessment	155,442	-	155,442
Advocacy	<u>13,626</u>	<u>-</u>	<u>13,626</u>
Total program services	442,938	-	442,938
Supporting Services			
Management and general	87,309	-	87,309
Fundraising	<u>54,560</u>	<u>-</u>	<u>54,560</u>
Total expenses	<u>584,807</u>	<u>-</u>	<u>584,807</u>
 Change in net assets	 202,778	 -	 202,778
Net assets - beginning of year	<u>243,853</u>	<u>-</u>	<u>41,075</u>
Net assets - end of year	<u><u>\$ 243,853</u></u>	<u><u>-</u></u>	<u><u>\$ 243,853</u></u>

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services		2022
	Teaching	Assessment	Advocacy	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 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
Supplies and materials	3,026	9,863	308	13,197	1,582	1,098	15,877
Technology - operating	6,465	3,620	259	10,344	1,552	1,034	12,930
Professional services	-	-	-	-	8,800	-	8,800
Bank service charges	9,939	-	-	9,939	-	-	9,939
Rent	1,845	1,435	718	3,998	3,690	2,562	10,250
Insurance	3,103	1,781	194	5,078	1,098	743	6,919
Marketing materials	-	-	-	-	-	4,067	4,067
Payroll services	-	-	-	-	3,183	-	3,183
Dues and memberships	-	-	-	-	350	-	350
Miscellaneous	141	-	-	141	2,477	2,222	4,840
Licenses and permits	-	-	-	-	30	-	30
Professional development	4,858	-	-	4,858	-	-	4,858
Bad debt	4,955	-	-	4,955	-	-	4,955
Total expenses by function	<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, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services		2021
	Teaching	Assessment	Advocacy	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 228,590	\$ 130,200	\$ 11,558	\$ 370,348	\$ 59,444	\$ 42,068	\$ 471,860
Payroll taxes	18,126	10,150	725	29,001	4,303	2,947	36,251
Supplies and materials	7,679	8,670	342	16,691	1,756	1,220	19,667
Technology - operating	6,484	3,631	259	10,374	1,556	1,038	12,968
Professional services	-	-	-	-	8,975	-	8,975
Bank service charges	8,301	-	-	8,301	-	-	8,301
Rent	1,485	1,155	578	3,218	2,970	2,062	8,250
Insurance	2,867	1,636	164	4,667	939	633	6,239
Marketing materials	-	-	-	-	-	4,586	4,586
Payroll services	-	-	-	-	3,267	-	3,267
Dues and memberships	-	-	-	-	2,206	-	2,206
Miscellaneous	51	-	-	51	1,633	6	1,690
Licenses and permits	-	-	-	-	260	-	260
Professional development	219	-	-	219	-	-	219
Bad debt	68	-	-	68	-	-	68
Total expenses by function	<u>\$ 273,870</u>	<u>\$ 155,442</u>	<u>\$ 13,626</u>	<u>\$ 442,938</u>	<u>\$ 87,309</u>	<u>\$ 54,560</u>	<u>\$ 584,807</u>

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 77,505	\$ 202,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of paycheck protection loan	-	(97,101)
Change in allowance for bad debts	4,955	-
Changes in:		
Accounts receivable, net	20,307	(37,055)
Prepaid expenses	(4,875)	-
Contract liabilities	4,804	11,203
Accrued expenses	10,162	(10,719)
Total Adjustments	<u>30,398</u>	<u>(36,571)</u>
Net cash provided by operating activities	<u>112,858</u>	<u>69,106</u>
Cash - beginning of year	<u>203,462</u>	<u>134,356</u>
Cash - end of year	<u><u>\$ 316,320</u></u>	<u><u>\$ 203,462</u></u>

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022, AND 2021

NOTE 1 - Description of Business and Program Services

In these notes, the terms “Organization”, “we”, “us” or “our” mean Learning Matters, Incorporated. We are a community organization committed to providing educational expertise to students K-12, regardless of socioeconomic status, by assessing academic ability and offering intensive instruction to remediate individuals’ needs, improve performance and grades in school, increase students’ feeling of self-worth, and enhance opportunities for success in life.

The Organization reports the following program and supporting services:

Program:

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.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

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. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

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 were no net assets with donor restrictions as of June 30, 2022 and 2021.

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022, AND 2021

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Public Support

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash, grants and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Donor restricted contributions and grants are recorded in the net assets without donor restrictions if the restriction expires in the period in which revenue is recognized.

Revenue Recognition from Contracts with Customers

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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2022 and 2021, we had no cash equivalents.

Accounts Receivable & Contract Liabilities

Our accounts receivable consists mainly of requests for payment for services rendered or to be rendered to clients. Contract liabilities represent amounts billed for services yet to be provided in the following month.

Accounts receivable balances at June 30, 2022, June 30, 2021, and July 1, 2020 were \$68,159, \$93,421, and \$56,366, respectively.

Invoices for teaching and assessments are typically billed a month in advance of the related session. At June 30, accounts receivable represents balances for sessions billed and contract liabilities are for future sessions not yet conducted. Contract liabilities of \$45,611 and \$34,408 at the beginning of the years ended June 30, 2022 and 2021, respectively, were recognized as revenue during those respective years.

Bad debts are recognized using the allowance method based on evaluation of outstanding accounts. An allowance of \$4,955 and \$8,357 was recorded at June 30, 2022, and 2021, respectively.

Prepaid Expenses

Prepaid expenses relate to insurance premiums and professional fees paid in advance.

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022, AND 2021

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Accrued Expenses

Accrued expenses consist of wages payable and compensated absences earned but not taken as of year-end.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, on the basis of time and effort of staff, including salaries and related expenses, technology costs, rent and insurance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization, which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been recorded in the accompanying financial statements.

Marketing

Marketing costs are expensed as incurred.

New Accounting Pronouncement

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

NOTE 3 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following for the year ended June 30,

	<u>2022</u>	<u>2021</u>
Cash	\$ 316,320	\$ 203,462
Accounts receivable, net	<u>68,159</u>	<u>93,421</u>
Total financial assets	384,479	296,883
Less: amounts not available to be used within 1 year		
Board designated operating reserve	<u>(126,000)</u>	<u>-</u>
Financial assets available for general expenditures	<u>\$ 258,479</u>	<u>\$ 296,883</u>

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022, AND 2021

NOTE 3 - Availability and Liquidity (Continued)

The Board of Directors approved an operating reserve policy; in the event these funds were needed to fund operations, the Board could vote to release these funds.

NOTE 4 - Leases

The Organization has two lease agreements. The Organization rents space at Second Presbyterian Church, entered during our 2014 fiscal year. This lease began with a one-year term and then continues on indefinitely requiring either party to give a ninety-day notice of termination. There are no minimum fixed lease payments under the lease, but utilities are paid by us up to \$750 a month. Our second lease is an agreement for a copier requiring monthly payments that increase by 10% annually. The lease agreement started on August 31, 2017 and has a life of 5 years. The future minimum lease payments under the non-cancellable operating lease (copier) as of June 30, 2022, is \$211.

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

NOTE 5 - Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions. At times, such cash and cash equivalents may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

NOTE 6 - Subsequent Events

We have evaluated events subsequent to June 30, 2022. As of February 27, 2023, the date that the financial statements were available to be issued, no other events subsequent to the statement of financial position date are considered necessary to be included in the financial statements for the year ended June 30, 2022.