

**DIVERSE LEARNERS  
COOPERATIVE**

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2023**



# DIVERSE LEARNERS COOPERATIVE

## AUDITED FINANCIAL STATEMENTS

June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Diverse Learners Cooperative  
Nashville, Tennessee

### **Opinion**

We have audited the accompanying financial statements of **Diverse Learners Cooperative** (a not-for-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 fiscal 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 Diverse Learners Cooperative as of June 30, 2023, and the changes in its net assets and its cash flows for the fiscal 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 our report. We are required to be independent of Diverse Learners Cooperative 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 Diverse Learners Cooperative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

## INDEPENDENT AUDITOR'S REPORT

### **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 Diverse Learners Cooperative'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 Diverse Learners Cooperative'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.

*FMC CPAs, PLLC*

Nashville, Tennessee  
December 11, 2023

# DIVERSE LEARNERS COOPERATIVE

## STATEMENT OF FINANCIAL POSITION

June 30, 2023

### ASSETS

|                     |                       |
|---------------------|-----------------------|
| Cash                | \$ 136,346            |
| Accounts receivable | 11,687                |
| Deposits            | <u>2,000</u>          |
| <br>TOTAL ASSETS    | <br>\$ <u>150,033</u> |

### LIABILITIES AND NET ASSETS

|                                      |                       |
|--------------------------------------|-----------------------|
| Accounts payable                     | \$ 4,271              |
| Accrued expenses                     | <u>18,759</u>         |
| <br>Total Liabilities                | <br>23,030            |
| <br>Net Assets                       |                       |
| Without donor restrictions           | 127,003               |
| With donor restrictions              | <u>0</u>              |
| Total Net Assets                     | <u>127,003</u>        |
| <br>TOTAL LIABILITIES AND NET ASSETS | <br>\$ <u>150,033</u> |

See notes to financial statements.

# DIVERSE LEARNERS COOPERATIVE

## STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2023

|  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                    |
|--|----------------------------------|-------------------------------|--------------------------|
| <b>SUPPORT AND REVENUES</b>                  |                                  |                               |                          |
| Program service revenue                      | \$ 328,094                       | \$ 0                          | \$ 328,094               |
| Contributions                                | 368,841                          | 0                             | 368,841                  |
| In-kind contributions                        | <u>1,100</u>                     | <u>0</u>                      | <u>1,100</u>             |
| TOTAL SUPPORT AND REVENUES                   | 698,035                          | 0                             | 698,035                  |
| <b>EXPENSES</b>                              |                                  |                               |                          |
| Program Services                             | 629,397                          | 0                             | 629,397                  |
| Supporting Services                          |                                  |                               |                          |
| Management and general                       | 134,501                          | 0                             | 134,501                  |
| Fundraising expenses                         | <u>31,593</u>                    | <u>0</u>                      | <u>31,593</u>            |
| Total Supporting Services                    | <u>166,094</u>                   | <u>0</u>                      | <u>166,094</u>           |
| TOTAL EXPENSES                               | <u>795,491</u>                   | <u>0</u>                      | <u>795,491</u>           |
| <b>NET INCREASE (DECREASE) IN NET ASSETS</b> | <b>\$ (97,456)</b>               | <b>\$ 0</b>                   | <b>\$ (97,456)</b>       |
| Net assets at beginning of fiscal year       | <u>224,459</u>                   | <u>0</u>                      | <u>224,459</u>           |
| NET ASSETS AT END OF FISCAL YEAR             | <u><u>\$ 127,003</u></u>         | <u><u>\$ 0</u></u>            | <u><u>\$ 127,003</u></u> |

See notes to financial statements.

# DIVERSE LEARNERS COOPERATIVE

## STATEMENT OF FUNCTIONAL EXPENSES

Fiscal Year Ended June 30, 2023

|                              |                     | SUPPORTING<br>SERVICES        |                  | TOTAL                  |                   |
|------------------------------|---------------------|-------------------------------|------------------|------------------------|-------------------|
|                              | PROGRAM<br>SERVICES | General and<br>Administrative | Fundraising      | SUPPORTING<br>SERVICES | TOTAL<br>EXPENSES |
| Salaries and wages           | \$ 413,322          | \$ 64,916                     | \$ 27,140        | \$ 92,056              | \$ 505,378        |
| Payroll taxes                | 31,973              | 5,001                         | 2,098            | 7,099                  | 39,072            |
| Employee benefits            | 26,494              | 2,572                         | 1,071            | 3,643                  | 30,137            |
| Employee development         | 0                   | 8,104                         | 0                | 8,104                  | 8,104             |
| Contract labor               | 107,164             | 0                             | 0                | 0                      | 107,164           |
| Recruitment                  | 0                   | 3,750                         | 0                | 3,750                  | 3,750             |
| Meetings and travel          | 13,577              | 2,938                         | 0                | 2,938                  | 16,515            |
| Stipends                     | 8,050               | 0                             | 0                | 0                      | 8,050             |
| Materials and supplies       | 9,617               | 694                           | 0                | 694                    | 10,311            |
| Occupancy                    | 19,200              | 6,921                         | 0                | 6,921                  | 26,121            |
| Office and other<br>expenses | 0                   | 1,164                         | 0                | 1,164                  | 1,164             |
| Insurance                    | 0                   | 1,825                         | 0                | 1,825                  | 1,825             |
| Technology                   | 0                   | 7,938                         | 1,284            | 9,222                  | 9,222             |
| Bookkeeping services         | 0                   | 10,642                        | 0                | 10,642                 | 10,642            |
| Professional fees            | 0                   | 14,804                        | 0                | 14,804                 | 14,804            |
| Advertising                  | 0                   | 3,232                         | 0                | 3,232                  | 3,232             |
| <b>TOTAL EXPENSES</b>        | <b>\$ 629,397</b>   | <b>\$ 134,501</b>             | <b>\$ 31,593</b> | <b>\$ 166,094</b>      | <b>\$ 795,491</b> |

See notes to financial statements.

# DIVERSE LEARNERS COOPERATIVE

## STATEMENT OF CASH FLOWS

Fiscal Year Ended June 30, 2023

### CASH FLOWS FROM OPERATING ACTIVITIES

|   |                  |
|---|------------------|
| Program service revenue received            | \$ 353,733       |
| Contributions received                      | 436,349          |
| Salaries, wages, and employee benefits paid | (583,471)        |
| Cash paid to consultants and vendors        | <u>(215,533)</u> |
| Net Cash Used in Operating Activities       | <u>(8,922)</u>   |

### CASH FLOWS FROM INVESTING ACTIVITIES

0

### CASH FLOWS FROM FINANCING ACTIVITIES

0

|                      |            |
|----------------------|------------|
| NET DECREASE IN CASH | \$ (8,922) |
|----------------------|------------|

|                                  |                |
|----------------------------------|----------------|
| Cash at Beginning of Fiscal Year | <u>145,268</u> |
|----------------------------------|----------------|

|                            |                          |
|----------------------------|--------------------------|
| CASH AT END OF FISCAL YEAR | <u><u>\$ 136,346</u></u> |
|----------------------------|--------------------------|

See notes to financial statements.



# DIVERSE LEARNERS COOPERATIVE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE A -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities:** Diverse Learners Cooperative ("DLC" or the "Organization") was chartered on October 9, 2018, as a public benefit corporation under the Tennessee Nonprofit Corporation Act. DLC's mission is to equip and empower school teams to serve all learners through creating purposeful networks of educators, providing them with high quality resources and collaborative learning experiences that increase best practices for diverse learners and teacher retention.

DLC fulfills its mission by providing program services in the following areas:

- Learning Communities convene educators to learn together faster. This includes establishing spaces for collaborative learning wherein educators meet together to learn and develop new ideas, afford opportunities to take an idea, practice it, and bring it back to the group. Through these Learning Communities, teachers and leaders develop ideas and processes for solving complex challenges that are inevitable when building inclusive classrooms and schools. We learn together faster and do better when we have space, resources, and people to drive us forward.
- School and Organization Partnerships help leaders improve school systems that enable diverse learners and their teachers to thrive. This includes working with schools, networks, or districts to collaboratively identify opportunities that provide the highest leverage in improving diverse learner outcomes, with a specific focus on educator support and effectiveness. Partnerships begin with understanding the needs of the system and the people within it, then align on goals that would improve student and teacher access. Implementation of these goals is supported through coaching, training, facilitation, resource development, or technical assistance. Schools need and value the eyes of a partner that can identify blind spots in access for diverse learners and then are open to the support they need to fill those gaps or establish new approaches.
- Pilot Programs and Special Projects include projects that the DLC has taken on related to its mission of removing barriers for diverse learner access to high quality education but may not fit into current programmatic services. During the fiscal year ended June 30, 2023, this included the Motor Learning Lab pilot in Memphis, TN in which schools were provided materials to conduct a learning lab model that incorporated mind-body connections. Through DLC support, students accessed an evidence-based intervention and teachers accessed the support they needed to continue this intervention beyond the one-year pilot. Additionally, the DLC partnered with EdTrust Tennessee to conduct a research study on diverse learner teacher retention. This comprehensive study surveyed more than 300 Tennessee teacher participants and resulted in production of a print and digital report, several accompanying resources to support teacher advocates, and hosted a report launch for interested community members.

**Basis of Accounting:** The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual method of accounting.

# DIVERSE LEARNERS COOPERATIVE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**Financial Statement Presentation:** The Organization uses a fiscal year ending June 30 as its annual reporting period. The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Net assets available for use in general operations and not subject to donor restrictions are classified as "Net Assets without Donor Restrictions." This net asset category includes net assets designated by the Board of Directors for specific purposes, if any. Net assets subject to donor-imposed restrictions are classified as "Net Assets with Donor Restrictions." None of DLC's net assets were subject to donor-imposed restrictions at either June 30, 2023 or 2022.

**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 of assets, liabilities, support, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from significant estimates used by management and such differences could be material.

**Subsequent Events:** In preparing the accompanying financial statements, management has evaluated subsequent events through December 11, 2023, which represents the date the financial statements were available to be issued.

**Cash:** Cash consists of an amount on deposit in one commercial bank, adjusted for outstanding checks and other uncleared items as of the reporting date. The Federal Deposit Insurance Corporation ("FDIC") insures the total amount deposited by each customer in a participating bank up to its maximum limit of \$250,000. As of June 30, 2023, the Organization had no cash balances that exceeded the FDIC insurance limit.

**Accounts Receivable and Allowance for Uncollectible Amounts:** Accounts receivable consist of amounts due to DLC for program services. Invoices are issued in accordance with stated contract terms, which may include invoicing in advance of when services are provided, but which do not include a financing component. At June 30, 2023, the Organization's accounts receivable balance is comprised of amounts due from two clients (under the terms of four contracts that had been completed at the reporting date), which individually represent 69% and 31% of the balance. An allowance is provided when necessary to recognize potentially uncollectible receivables. Amounts deemed worthless by management are written off. Recognition of an allowance was considered unnecessary at June 30, 2023. At June 30, 2022, DLC had accounts receivable totaling \$49,326, for which no allowance was recognized. The balance was collected in the fiscal year ended June 30, 2023 in the normal course of business.

**Promises to Give:** A donor's promise to give is recognized as support if the donor communicates an unconditional promise to the Organization. Unconditional promises to give are generally recorded at fair value on the date received. The fair value of a receivable that is expected to be collected within the next twelve months is deemed to be equal to the net settlement value of the amount to be received. An unconditional promise to give that is expected to be collected after twelve months is initially recorded at fair value using present value techniques that incorporate risk-adjusted discount rates. In subsequent years, amortization of the discount is included in contribution support in the Statement of Activities.

# DIVERSE LEARNERS COOPERATIVE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**Property and Equipment:** Property and equipment asset additions over \$2,500 are recorded at cost, if purchased, or at estimated fair value if contributed. Purchased or donated equipment that does not exceed the stated threshold is expensed when incurred, as are normal repairs and maintenance costs. Depreciation expense is calculated using the straight-line method over the estimated services lives of the assets. DLC has no capitalized property and equipment.

**Revenue and Revenue Recognition:** DLC contracts with educators, individual schools, and school districts for services, which include development of curriculum, convening learning communities, provision of professional development courses, and provision of consulting services to address identified needs. Performance obligations for service contracts are determined based on the nature of the services to be provided in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the stated period based on time elapsed. Revenue for performance obligations satisfied at a point in time is generally recognized when the services are provided. Revenue from consulting is recognized when the service is performed. Revenues and expenses relating to training, seminars, workshops, and education programs are recognized when the events occur. The Organization determines the transaction price based on standard charges for services and materials provided. The Organization's program service revenue streams do not have significant contract costs or any associated sales taxes. Most of DLC's contracted services are earned at a point in time. Any contracts for which performance obligations are satisfied over time are scheduled for performance during a traditional school year. Accordingly, all contracted services are normally completed by the end of each fiscal year.

Deferred revenue is reported as a liability in the Statement of Financial Position when the Organization requests an advance payment for contracted services. At June 30, 2022, DLC recognized deferred revenue of \$12,000, which was earned during the fiscal year ended June 30, 2023. The Organization had no deferred revenues at June 30, 2023.

Contribution support is recognized at fair value when cash, securities or other assets, or unconditional promises to give are received. Conditional promises to give (those with a measurable performance obligation or other barrier and a right of return) are not recognized as support until the donor's conditions are substantially met. Contributions that are restricted by the donor (e.g., as to passage of time or specific purpose), are reported as increases in net assets with donor restrictions. Upon satisfaction or expiration of a donor restriction, the applicable amounts are reclassified to net assets without donor restrictions. However, conditional promises to give and restricted contributions are reported as increases in net assets without donor restrictions if the condition and/or restriction is met in the same fiscal year that the gift is received.

**In-Kind Contributions:** The Organization occasionally receives nonfinancial contributions. This includes complimentary use of space in which to hold meetings for educators, and prepared food and beverages provided to participants at those meetings. These in-kind contributions are recorded at fair value when received, which is generally based on standard rental rates or the known amount of the donor's direct expenditure. During the fiscal year ended June 30, 2023, DLC recognized contributions without donor restriction of meeting space totaling \$800 and prepared food and beverages totaling \$300. All in-kind contributions were used by DLC and expensed in its operations during the year.

# DIVERSE LEARNERS COOPERATIVE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Several individuals volunteer their time and perform a variety of beneficial tasks that assist the Organization in carrying out its program services. In accordance with U.S. GAAP, donated services are recognized as in-kind support with a corresponding amount of expense in the financial statements when such services create or enhance a non-financial asset, or such services require specialized skills that would typically be purchased by the Organization if they had been donated. No such services were recognized in the accompanying financial statements.

**Functional Allocation of Expenses:** The costs of program and supporting service activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Expenses that are attributable to only one function are directly allocated in the Statement of Functional Expenses. However, certain categories of expenses are attributed to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Personnel costs, which include salaries and wages, payroll taxes, employee benefits, and contract labor, are allocated based on estimates of time and effort. Occupancy costs are allocated based on estimated usage of leased space. Management reevaluates its allocation methodology each year to determine whether revisions are necessary based on actual activities conducted during the year.

**Advertising:** The Organization expenses all advertising costs as incurred. Advertising costs totaled \$3,232 during the fiscal year ended June 30, 2023.

**Leases:** DLC determines if an arrangement is or contains a lease at inception of the underlying agreement. Amounts paid or payable for leases with a term of twelve months or less are expensed on a straight-line basis over the lease term. All other leases are classified as either operating or financing leases, which require measurement and recognition in the Statement of Financial Position as of the lease commencement date. DLC has no such operating or financing leases.

**Income Taxes:** The Organization was formed in 2018 and received recognition as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not deemed to be a private foundation. However, continued compliance with filing requirements and a public support test, among other rules and regulations, is required to maintain this exemption. In February 2023, management received notification that the Organization's exempt status was revoked effective May 15, 2022, due to failure to file Form 990 for three consecutive years. The Organization completed and submitted all required returns for its fiscal years ending June 30, 2018, 2019, and 2020 in accordance with prescribed filing deadlines. However, the submitted forms included a transposition in the Organization's employer identification number. Management has been in communication with the IRS to resolve this issue and has received notification that its tax-exempt status has been reinstated. Management is not aware of any other event or activity that might adversely affect the Organization's tax-exempt status or its classification as a public charity. In addition to its exemption from federal income taxes, DLC is generally exempt from state franchise and excise taxes that are applicable to for-profit corporations.

# **DIVERSE LEARNERS COOPERATIVE**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

In accordance with U.S. GAAP, management evaluates the Organization's federal and state regulatory filing positions to identify uncertain tax positions for consideration of whether to record an accrued liability or disclose a potential liability. Management has not identified any material uncertain tax positions that require financial statement recognition as of June 30, 2023. The Organization's federal and state regulatory filings are subject to examination by the applicable taxing or regulatory authority, generally for a period of three years after the return is filed. As of June 30, 2023, management considers the Organization's open tax years to include the returns filed for the fiscal years ended June 30, 2020, 2021, and 2022, as well as the return that will be filed for the fiscal year ended June 30, 2023.

### **NOTE B -- AVAILABLE RESOURCES AND LIQUIDITY**

The Organization considers the balances in cash and accounts receivable to be available to fund general expenditures within one year of the financial statement date. The Organization anticipates collecting sufficient support and revenue to continue funding its current level of operations and commitments. The Organization manages liquidity to operate within a prudent range of financial soundness and stability and maintain adequate liquid assets to fund near-term operating needs. If management's analysis of liquid assets reveals inadequate funds for near-term operating needs, then spending for program and management and general expenditures will be adjusted.

### **NOTE C -- EMPLOYEE RETIREMENT PLAN**

Effective January 1, 2022, DLC established an employee retirement plan pursuant to Section 401(k) of the Internal Revenue Code. Employees who are at least 18 years of age and have been employed for at least three months are automatically enrolled in the plan unless they opt out of participation. The plan is a safe harbor plan under which DLC matches 100% of employee contributions up to the first 3% of eligible compensation and matches 50% of contributions that exceed 3% up to 5% of eligible compensation. DLC's safe harbor contributions to the plan totaled \$16,695 during the fiscal year ended June 30, 2023.

### **NOTE D -- OFFICE LEASE**

Effective June 28, 2022, the Organization entered a membership agreement for use of dedicated co-working space, which it uses as an office and as a location to host collaborative meetings and professional development seminars. The agreement required a \$2,000 deposit and monthly payments of \$2,000 over the initial twelve-month term, resulting in recognition of \$24,000 of expense during the fiscal year ending June 30, 2023. The Organization renewed the agreement in April 2023 for a new twelve-month term beginning July 1, 2023, for the same monthly fee. Accordingly, the Organization is obligated to pay \$24,000 during its fiscal year ending June 30, 2024. The deposit is refundable at the conclusion of the contract.

# DIVERSE LEARNERS COOPERATIVE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE E -- CONCENTRATIONS

Contribution support includes donors that individually represent more than 10% of contributions received and total support and revenues, summarized as follows:

|         | <u>Percentage of Total</u> |                            |
|---------|----------------------------|----------------------------|
|         | <u>Contributions</u>       | <u>Support and Revenue</u> |
| Donor A | 41%                        | 21%                        |
| Donor B | 20%                        | 11%                        |
| Donor C | 20%                        | 11%                        |

Program service revenue recognized during the fiscal year ended June 30, 2023, includes schools and other clients that individually represent more than 10% of program service revenue, summarized as follows:

|          | <u>Percentage of Total</u>     |                            |
|----------|--------------------------------|----------------------------|
|          | <u>Program Service Revenue</u> | <u>Support and Revenue</u> |
| Client A | 20%                            | 9%                         |
| Client B | 14%                            | 7%                         |
| Client C | 12%                            | 6%                         |
| Client D | 11%                            | 5%                         |

The Organization has a continuing focus on developing a broad base of donors and clients so that it is not reliant on any one donor or client.