

2019

Financial Statements

LEARNING MATTERS, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2019

(With Independent Auditor's Report Thereon)

LEARNING MATTERS, INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2019

Contents

	<u>PAGE</u>
Roster of Board of Directors	i
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 9

LEARNING MATTERS, INCORPORATED
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2019

Charles Roberts, President

Cara Aaron, Treasurer

Meredith Eason – Interim Secretary

Christine Andrews

Eric Beyer

Joseph Rando

Becky Kantz

Pam Forsythe

Kelly Harper

Betsy Sloan

Heather Sisemore



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Learning Matters, Incorporated

We have audited the accompanying financial statements of Learning Matters, Incorporated (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

December 2, 2019

LEARNING MATTERS, INCORPORATED
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets:

Cash	\$ 46,274	
Accounts receivable, net	75,816	
Prepaid expenses	<u>1,495</u>	
Total current assets		<u>\$ 123,585</u>
 Total Assets		 <u><u>\$ 123,585</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Wages payable	\$ 19,633	
Unearned revenue	<u>46,418</u>	
Total current liabilities		<u>\$ 66,051</u>
 Total Liabilities		 66,051

Net Assets:

Without donor restrictions	57,534	
With donor restrictions	<u>-</u>	
Total Net Assets		<u>57,534</u>
 Total Liabilities and Net Assets		 <u><u>\$ 123,585</u></u>

LEARNING MATTERS, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Gross special event revenue	\$ 8,250	\$ -	\$ 8,250
Less direct costs of special events	(4,046)	-	(4,046)
Net special events revenue	4,204	-	4,204
Revenues:			
Grants	13,000	-	13,000
Teaching Fees	371,681	-	371,681
Assessment Fees	184,587	-	184,587
Consulting	900	-	900
Contracts	21,270	-	21,270
Contributions	21,051	-	21,051
Net assets released from restriction	-	-	-
Total revenues	612,489	-	612,489
Total public support and revenue	616,693	-	616,693
Expenses:			
Program Services	461,573	-	461,573
Supporting Services			
Management and general	109,539	-	109,539
Fundraising	66,078	-	66,078
Total expenses	637,190	-	637,190
Decrease in net assets	(20,497)	-	(20,497)
Net assets - beginning of year	78,031	-	78,031
Net assets - end of year	\$ 57,534	\$ -	\$ 57,534

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

		<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 385,883	\$ 82,484	\$ 48,265	\$ 516,632	
Payroll taxes	28,718	6,139	3,592	38,449	
Bank service charges	6,327	-	-	6,327	
Dues and subscriptions	-	-	3,244	3,244	
Equipment rental	-	1,829	-	1,829	
Disability insurance	1,503	-	-	1,503	
Accounting fees	-	8,825	-	8,825	
Licenses and permits	-	310	-	310	
Postage / delivery	85	-	764	849	
Printing / reproduction	1,059	-	1,058	2,117	
Payroll services	2,041	1,021	-	3,062	
Rent	8,100	900	-	9,000	
Telecommunications	-	3,862	-	3,862	
Conferences / training	917	-	-	917	
Meals / entertainment	105	418	-	523	
Gifts	339	-	-	339	
Outside services	-	-	4,750	4,750	
Background checks	337	-	-	337	
Liability insurance	3,884	1,102	-	4,986	
Office supplies	1,373	687	-	2,060	
Testing material	6,912	-	-	6,912	
Teaching material	1,240	-	-	1,240	
Technology	-	1,927	-	1,927	
Marketing supplies	-	-	4,004	4,004	
Marketing technology	-	-	401	401	
Website upgrade	299	-	-	299	
Crash plan back-up	-	35	-	35	
Special event	-	-	4,046	4,046	
Bad debt expense	12,451	-	-	12,451	
Total expenses by function	461,573	109,539	70,124	641,236	
Less expenses included with revenues on the statement of activities:					
Direct cost of special events	-	-	(4,046)	(4,046)	
Total expenses included in the expense section on the statement of activities	<u>\$ 461,573</u>	<u>\$ 109,539</u>	<u>\$ 66,078</u>	<u>\$ 637,190</u>	

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows From Operating Activities:

Decrease in net assets	\$	(20,497)
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Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Changes in:

Accounts receivable	\$	(1,127)	
Prepaid expenses		841	
Wages payable		2,042	
Unearned revenue		(4,200)	
			(2,444)
Net cash used in operating activities			(22,941)

Net decrease in cash		(22,941)
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Cash - beginning of year		69,215
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Cash - end of year	\$	46,274
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LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies

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.

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.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles in the United States of America for non-profit organizations.

Revenue Concentration

We receive approximately 89% of our total revenue from our teaching and assessment fees. In the event of a significant reduction in the level of these services, our programs and activities could be affected.

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, 2019, we had no cash equivalents.

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.

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

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.

Fair Values of Financial Instruments

The fair values of assets and liabilities approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

NOTE 2 - Availability and Liquidity

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

Financial assets for the year ended

Cash	\$ 46,274
Accounts receivable, net	75,816
	<u>\$ 122,090</u>

In the next fiscal year, we plan to receive the same level of revenue and contributions, and consider these for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - Accounts Receivable

Our accounts receivable consist mainly of requests for payment for services rendered.

Bad debts are recognized using the allowance method based on our evaluation of outstanding accounts. At June 30, 2019, we determined an allowance \$22,047 was considered necessary. We expect longer than usual aging of receivables due to the time gap between when we bill customers and when we issue the individuals' reports.

At June 30, 2019, all of our accounts receivable were due from clients.

NOTE 4 – Prepaid Expenses

Prepaid expenses relate to insurance premiums paid in advance. The amount of prepaid expenses recorded at June 30, 2019 is \$1,495.

NOTE 5 – Deferred Revenue

At June 30, 2019, we had deferred revenue of \$46,418. This amount represents services that have been billed for but not yet provided due to the timing of billing for the next month's service.

NOTE 6 - Leases

We have three lease agreements. The first is the lease agreement for our location 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. This is a lease agreement and not considered a donor relationship. 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 a lease with Goodwill for a room at one of their locations that became available to us during our 2018 fiscal year. This is a lease agreement and not considered a donor relationship. There are no minimum fixed lease payments under the lease, but after the first year of the agreement a portion of the utilities expense for the building will be paid by us.

Our third lease is an agreement for a copier from Nova Copy requiring monthly payments that increase by 10% annually. The lease agreement started on August 31, 2017 and has a life of 5 years.

The following is a schedule of future minimum lease payments under the non-cancellable operating lease (copier) as of June 30, 2019:

<u>Year Ending June 30,</u>	
2020	\$ 1,131
2021	<u>1,244</u>
	<u>\$ 2,375</u>

We have not recorded any in-kind revenue or expense for the fair market value of the commercial leases due to the amount being undeterminable.

NOTE 7 - Concentrations of Credit Risk

We maintain our cash balance in a single account at SunTrust Bank. Amounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At June 30, 2019, we did not have any cash that was uninsured.

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - New Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*. The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This update should be applied on a modified prospective basis for annual periods beginning after December 15, 2018. We are currently evaluating the impact of adopting this statement.

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update were recently deferred to become effective January of 2021. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to June 30, 2019. As of December 2, 2019, 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, 2019.