2020

Financial Statements

1889 General George Patton Drive Suite 200 · Franklin, TN 37067 · Phone 615-750-5537· Fax 615-750-5543 · www.phbcpas.com

LEARNING MATTERS, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2020

(With Independent Auditor's Report Thereon)

LEARNING MATTERS, INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2020

Contents

LEARNING MATTERS, INCORPORATED
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2020

Joe Rando, President	Julie Evans, Treasurer
Sara Barrett, Secretary	Christie Andrews
Kerry Price	Alieza Ali
Cara Aaron	

pHb

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, 2020, 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, 2020, 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 28, 2020

1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

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LEARNING MATTERS, INCORPORATED
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets:		
Cash	$ 134,356	
Accounts receivable, net	56,366	
Prepaid expenses	1,495	
Total current assets		$ 192,217
Total Assets		$ 192,217

LIABILITIES AND NET ASSETS

Current Liabilities:		
Wages payable	$ 19,633	
Unearned revenue	34,408	
Total current liabilities		$ 54,041
Paycheck Protection Program loan payable		97,101
Total Liabilities		151,142
Net Assets:		
Without donor restrictions	41,075	
With donor restrictions	-	
Total Net Assets		41,075
Total Liabilities and Net Assets		$ 192,217

LEARNING MATTERS, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Grants	$ 20,825	$ -	$ 20,825
Teaching Fees	372,246	-	372,246
Assessment Fees	117,140	-	117,140
Contracts	13,802	-	13,802
Contributions	30,076	-	30,076
Net assets released from restriction	-	-	-
Total revenues	554,089	-	554,089
Total public support and revenue	554,089	-	554,089
Expenses:			
Program Services:			
Teaching	266,613	-	266,613
Assessment	152,166	-	152,166
Advocacy	13,743	-	13,743
Total program services	432,522	-	432,522
Supporting Services			
Management and general	84,412	-	84,412
Fundraising	53,614	-	53,614
Total expenses	570,548	-	570,548
Decrease in net assets	(16,459)	-	(16,459)
Net assets - beginning of year	57,534	-	57,534
Net assets - end of year	$ 41,075	-	$ 41,075

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Prorgram Services				Supporting Services		
	Teaching	Assessment	Advocacy	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 226,305	$ 129,044	$ 11,679	$ 367,028	$ 60,065	$ 41,712	$ 468,805
Payroll taxes	17,930	10,041	717	28,688	4,303	2,869	35,860
Bank service charges	6,225	-	-	6,225	-	-	6,225
Dues and memberships	-	-	-	-	460	-	460
Miscellanous	218	-	-	218	820	228	1,266
Professional services	-	-	-	-	7,900	-	7,900
Licenses and permits	-	-	-	-	260	-	260
Supplies and materials	2,194	6,137	278	8,609	1,430	993	11,032
Printing	880	493	35	1,408	211	141	1,760
Payroll services	-	-	-	-	3,334	-	3,334
Rent	1,519	1,181	591	3,291	3,038	2,109	8,438
Professional development	2,010	-	-	2,010	-	-	2,010
Insurance	2,923	1,681	187	4,791	1,053	713	6,557
Technology - operating	6,409	3,589	256	10,254	1,538	1,026	12,818
Marketing materials	-	-	-	-	-	3,823	3,823
Total expenses by function	$ 266,613	$ 152,166	$ 13,743	$ 432,522	$ 84,412	$ 53,614	$ 570,548

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities:		
Decrease in net assets		$ (16,459)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Changes in:		
Accounts receivable, net	$ 19,450	
Unearned revenue	(12,010)	
		7,440
Net cash used in operating activities		(9,019)
Cash Flows from Financing Activities:		
Paycheck Protection Program loan received	97,101	
Net cash provided by investing activities		97,101
Net increase in cash		88,082
Cash - beginning of year		46,274
Cash - end of year		$ 134,356

See accompanying notes to financial statements.

LEARNING MATTERS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 and reported in the statements of activities as net assets released from restrictions. Contract revenue is recognized in accordance with generally accepted accounting principles in the United States of America, when performance obligations are satisfied, as described below.

Contributions are recognized when cash or an unconditional promise to give is 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 a 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.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition standard. The contract transaction 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. For these contracts, we will allocate transaction prices to the performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Performance Obligations (continued)

The primary method used to estimate standalone selling price is the expected cost plus a margin approach, which forecasts the expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct service.

Performance Obligations Satisfied at a Point in Time

All of our performance obligations are satisfied at a point and time, at which revenue is recognized. Upon fulfillment of the performance obligation, the customer is provided an invoice demonstrating transfer of control to the customer. We believe that point in time recognition remains appropriate for this segment and will continue to recognize revenues upon completion of the performance obligation and issuance of an invoice.

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, 2020, 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, on the basis of time an 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

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 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.

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.

Marketing

Marketing costs are expensed as incurred.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that will affect the Organization's revenue recognition. The first, Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards).

The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the* Scope *and the Accounting Guidance for Contributions Received and Contributions Made,* establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. We have adopted these standards retrospectively during 2020. The adoption of this standard had no effect on beginning net assets on our statement of activities for the year ended June 30, 2020.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The adoption of this standard had no effect on our statement of financial positions or cash flows for the year ended June 30, 2020.

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	$ 134,356
Accounts receivable, net	56,366
	$ 190,722

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.

NOTE 3 - Accounts Receivable

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

Bad debts are recognized using the allowance method based on our evaluation of outstanding accounts. At June 30, 2020, we determined an allowance $18,839 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.

NOTE 4 – Prepaid Expenses

Prepaid expenses relate to insurance premiums paid in advance. The amount of prepaid expenses recorded at June 30, 2020, is $1,495.

NOTE 5 – Deferred Revenue

At June 30, 2020, we had deferred revenue of $34,408. 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 – Paycheck Protection Program Loan

During 2020, the Organization was the recipient of a loan under the Paycheck Protection Program ("PPP"). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The loan is fully forgivable if certain conditions are met.

The Organization has elected to account for the loan as a financial liability until such time the loan is forgiven. If the loan is forgiven, the Organization will not be responsible for any payments, and the balance of the loan will be reclassified to other income on the Statement of Activities at the time forgiveness is granted. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid on or before the maturity date of the loan, including accrued interest. Principal and interest payments would begin after the ten-month forgiveness application period expires.

NOTE 7 - 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, 2020:

Year Ending June 30,		
2021	$	1,131
2022		1,244
2023		211
	$	2,586

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 8 - 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, 2020, we did not have any cash that was uninsured.

NOTE 9 – Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, management is continuing to evaluate the evolving situation and has implemented appropriate countermeasures, including utilizing remote teaching tools for teachers, limiting the number of individuals in the center at any time, health screenings and temperature checks, and practicing social distancing in common areas.

NOTE 10 - New Pronouncements

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 2022. We are currently evaluating the impact of adopting this statement.

NOTE 11 - Subsequent Events

We have evaluated events subsequent to June 30, 2020. As of December 28, 2020, 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, 2020.