2021

Financial Statements

LEARNING MATTERS, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2021

(With Independent Auditor's Report Thereon)

LEARNING MATTERS, INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2021

Contents

LEARNING MATTERS, INCORPORATED
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2021

Kerry Price, Chairperson	Julie Evans, Treasurer
Sara Pérez Barrett, Secretary	Christie Andrews
Joseph Rando	Leonora Zilkha Williamson
Stephanie Durman	

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, 2021, 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, 2021, 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

February 9, 2022

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

LEARNING MATTERS, INCORPORATED
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets:		
Cash	$ 203,462	
Accounts receivable, net	93,421	
Prepaid expenses	1,495	
Total current assets		298,378
Total Assets		$ 298,378

LIABILITIES AND NET ASSETS

Current Liabilities:		
Wages payable	$ 8,125	
Unearned revenue	45,611	
Vacation accrual	789	
Total current liabilities		54,525
Total Liabilities		54,525
Net Assets:		
Without donor restrictions	$ 243,853	
Total Net Assets		243,853
Total Liabilities and Net Assets		$ 298,378

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

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Grants	$ 57,250	$ -	$ 57,250
Teaching Fees	393,030	-	393,030
Assessment Fees	172,877	-	172,877
Contracts	18,551	-	18,551
Contributions	48,776	-	48,776
Other Income	97,101	-	97,101
Net assets released from restriction	-	-	-
Total revenues	787,585	-	787,585
Total public support and revenue	787,585	-	787,585
Expenses:			
Program Services:			
Teaching	274,012	-	274,012
Assessment	155,552	-	155,552
Advocacy	13,682	-	13,682
Total program services	443,246	-	443,246
Supporting Services			
Management and general	87,593	-	87,593
Fundraising	53,968	-	53,968
Total expenses	584,807	-	584,807
Increase in net assets	202,778	-	202,778
Net assets - beginning of year	41,075	-	41,075
Net assets - end of year	$ 243,853	-	$ 243,853

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

	Prorgram Services				Supporting Services		
	Teaching	Assessment	Advocacy	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 228,732	$ 130,310	$ 11,614	$ 370,656	$ 59,728	$ 41,476	$ 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
Miscellanous	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	$ 274,012	$ 155,552	$ 13,682	$ 443,246	$ 87,593	$ 53,968	$ 584,807

See accompanying notes to financial statements.

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

Cash Flows From Operating Activities:		
Increase in net assets		$ 202,778
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Gain on extinguishment of debt	$ (97,101)	
Changes in:		
Accounts receivable, net	(37,055)	
Wages payable	(11,508)	
Unearned revenue	11,203	
Vacation accrual	789	
		(133,672)
Net increase in cash		69,106
Cash - beginning of year		134,356
Cash - end of year		$ 203,462

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

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 Statement 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 72% 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, 2021, 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 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

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. Level 1 in the fair value hierarchy refers to the quoted (unadjusted) prices for identical items in active, liquid, and visible markets.

Marketing

Marketing costs are expensed as incurred.

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	$ 203,462
	Accounts receivable, net	93,421
Total financial assets		$ 296,883

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 or to be rendered to clients (see NOTE 5).

Bad debts are recognized using the allowance method based on our evaluation of outstanding accounts. At June 30, 2021, we determined an allowance $8,357 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 customer statements.

NOTE 4 – Prepaid Expenses

Prepaid expenses related to insurance premiums are paid in advance. The amount of prepaid expenses recorded at June 30, 2021, is $1,495.

NOTE 5 – Unearned Revenue

At June 30, 2021, we had unearned revenue of $45,611. 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 (see NOTE 5).

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 of $97,101 was fully forgivable if certain conditions are met, and was recorded as a liability at June 30, 2020.

As of January 11, 2021, the PPP loan has been fully forgiven, and the balance of the loan was reclassified to Other Income on the Statement of Activities for the year ended June 30, 2021.

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

NOTE 7 – Leases (continued)

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 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, 2021:

Year Ending June 30,	
2022	1,244
2023	211
	$ 1,455

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 two accounts at Fourth Capital Bank and one account at SunTrust Bank. Amounts at each institution are insured up to $250,000 by the Federal Deposit Insurance Corporation. At June 30, 2021, 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, 2021. As of February 9, 2022, 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, 2021.