LEARNING ALLY, INC.

(A Not-For-Profit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2023 and 2022

LEARNING ALLY, INC.
(A New Jersey Not-for-Profit Organization)

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Learning Ally, Inc.

Report on the Financial Statements

Opinion

We have audited the financial statements of Learning Ally, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Learning Ally, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
January 26, 2024

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statements of Financial Position

	June 30, 2023	June 30, 2022
ASSETS		
Cash and cash equivalents	**$ 1,536,414**	$ 4,095,396
Grants and other receivables	**5,250,913**	5,634,699
Notes receivable, net	**3,367,757**	-
Interest receivable	**28,972**	-
Contributions receivable, net	**2,035,025**	3,982,214
Investments	**14,835,889**	17,654,991
Prepaid expenses and other current assets	**956,444**	1,146,248
Split-interest agreements and other arrangements	**6,244**	23,921
Beneficial interest in perpetual trusts	**5,340,027**	5,055,383
Property and equipment, net	**1,336,841**	461,034
Other assets	**339,140**	508,710
Right of use asset	**2,853,960**	-
Total assets	**$ 37,887,626**	$ 38,562,596
LIABILITIES		
Accounts payable and accrued expenses	**$ 2,084,349**	$ 3,627,661
Deferred revenue	**9,826,575**	9,218,684
Lease liability	**2,906,539**	-
Total liabilities	**14,817,463**	12,846,345
Commitments (see Note L)		
NET ASSETS		
Without donor restrictions	**1,022,614**	3,792,197
With donor restrictions:		
Purpose restrictions	**8,794,142**	8,955,291
Perpetual restrictions	**13,253,407**	12,968,763
	22,047,549	21,924,054
Total net assets	**23,070,163**	25,716,251
Total liabilities and net assets	**$ 37,887,626**	$ 38,562,596

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Operating revenue and other support:				
Contributions, private grants and legacies	$ 7,734,100	$ 1,693,144	$ -	$ 9,427,244
Donated services, goods and rent	1,119,193	-	-	1,119,193
Membership fees and services, net				
New schools	3,608,090	-	-	3,608,090
School renewals	5,808,583	-	-	5,808,583
Direct to consumer	2,222,583	-	-	2,222,583
Professional learning services	1,469,284	-	-	1,469,284
Government grants and contracts (see Note B[3])	6,559,734	-	-	6,559,734
Interest and dividends, net	624,522	1,376,273	-	2,000,795
Other revenue	102,085	-	-	102,085
	29,248,174	3,069,417		32,317,591
Net assets released from restrictions pursuing to an appropriation of an endowment net assets (see Note H)	935,557	(935,557)	-	-
Net assets released from restrictions-other	2,896,672	(2,896,672)	-	-
Total operating revenue and other support	33,080,403	(762,812)	-	32,317,591
Operating expenses:				
Program services:				
Educational solutions	6,082,187	-	-	6,082,187
Services coordination	21,036,570	-	-	21,036,570
Total program services	27,118,757	-	-	27,118,757
Supporting services:				
Administration	5,579,193	-	-	5,579,193
Fundraising	1,426,170	-	-	1,426,170
Total supporting services	7,005,363	-	-	7,005,363
Total operating expenses	34,124,120	-	-	34,124,120
(Deficiency) of operating revenue and other support over operating expenses before nonoperating activities	(1,043,717)	(762,812)	-	(1,806,529)

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statement of Activities (continued)
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Deficiency of operating revenue and other support over operating expenses before nonoperating activities	$ (1,043,717)	$ (762,812)	$ -	$ (1,806,529)
Non-operating activities:				
Provision for allowance for uncollectible notes receivable	(1,132,243)	-	-	(1,132,243)
Net unrealized and realized gain (loss) gain on investments and perpetual trusts	(593,623)	597,979	284,644	289,000
Change in value of split-interest agreements	-	3,684	-	3,684
Total non-operating activities	(1,725,866)	601,663	284,644	(839,559)
Change in net assets	(2,769,583)	(161,149)	284,644	(2,646,088)
Net assets, beginning of year	3,792,197	8,955,291	12,968,763	25,716,251
Net assets, end of year	$ 1,022,614	$ 8,794,142	$ 13,253,407	$ 23,070,163

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Operating revenue and other support:				
Contributions, private grants and legacies	$ 2,481,556	$ 4,755,224	$ -	$ 7,236,780
Donated services, goods and rent	1,416,926	-	-	1,416,926
Membership fees and services, net				
New schools	3,497,083	-	-	3,497,083
School renewals	5,033,034	-	-	5,033,034
Direct to consumer	2,430,626	-	-	2,430,626
Professional learning services	1,484,736	-	-	1,484,736
Government grants and contracts (see Note B[3])	3,359,851	-	-	3,359,851
Interest and dividends, net	748,942	2,268,162	-	3,017,104
Other revenue	466,738	-	-	466,738
	20,919,492	7,023,386	-	27,942,878
Net assets released from restrictions pursuing to an appropriation of an endowment net assets (see Note H)	690,010	(690,010)	-	-
Net assets released from restrictions-other	2,625,410	(2,625,410)	-	-
Total operating revenue and other support	24,234,912	3,707,966	-	27,942,878
Operating expenses:				
Program services:				
Educational solutions	5,501,237	-	-	5,501,237
Services coordination	17,382,132	-	-	17,382,132
Total program services	22,883,369	-	-	22,883,369
Supporting services:				
Administration	4,698,691	-	-	4,698,691
Fundraising	1,618,776	-	-	1,618,776
Total supporting services	6,317,467	-	-	6,317,467
Total operating expenses	29,200,836	-	-	29,200,836
(Deficiency) of operating revenue and other support over operating expenses before nonoperating activities	(4,965,924)	3,707,966	-	(1,257,958)

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statement of Activities (continued)
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
(Deficiency) excess of operating revenue and other support over operating expenses before nonoperating activities	$ (4,965,924)	$ 3,707,966	$ -	$ (1,257,958)
Non-operating activities:				
Gain on disposal of land, property and equipment	4,562,135	-	-	4,562,135
Net unrealized and realized loss on investments and perpetual trusts	(1,119,911)	(4,971,519)	(811,147)	(6,902,577)
Change in value of split-interest agreements	-	(10,344)	-	(10,344)
Total non-operating activities	3,442,224	(4,981,863)	(811,147)	(2,350,786)
Change in net assets	(1,523,700)	(1,273,897)	(811,147)	(3,608,744)
Net assets, beginning of year	5,315,897	10,229,188	13,779,910	29,324,995
Net assets, end of year	$ 3,792,197	$ 8,955,291	$ 12,968,763	$ 25,716,251

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statements of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services		
	Educational Solutions	Services Coordination	Total Program Services	Administration	Fundraising	Total
Salaries	$ 2,531,879	$ 12,599,157	$ 15,131,036	$ 2,586,501	$ 734,234	$ 18,451,771
Employee benefits	552,814	2,206,992	2,759,806	382,881	89,124	3,231,811
Total employee compensation	3,084,693	14,806,149	17,890,842	2,969,382	823,358	21,683,582
Volunteer services	1,119,193	-	1,119,193	-	-	1,119,193
Professional fees	858,686	3,225,158	4,083,844	801,659	534,673	5,420,176
Data processing	62,557	1,031,285	1,093,842	803,643	11,578	1,909,063
Maintenance and repairs	53,873	49	53,922	377,375	-	431,297
Marketing	1,510	441,161	442,671	-	355	443,026
Staff recruitment and training	32,117	204,837	236,954	83,389	-	320,343
Rent and utilities	508,527	-	508,527	4,626	-	513,153
Production supplies	232,448	-	232,448	-	-	232,448
Books and publications	5,808	324,193	330,001	128,825	11,694	470,520
Telephone	23,047	4,879	27,926	114,985	78	142,989
Travel and conferences	10,750	688,592	699,342	75,927	27,562	802,831
Awards and grants	-	90,000	90,000	-	-	90,000
Other	9,414	27,643	37,057	94,599	657	132,313
Office supplies	26,673	9,650	36,323	12,592	785	49,700
Postage and packaging	6,975	10,407	17,382	11,964	15,430	44,776
Expenses before depreciation	6,036,271	20,864,003	26,900,274	5,478,966	1,426,170	33,805,410
Depreciation and amortization	45,916	172,567	218,483	100,227	-	318,710
Total expenses	$ 6,082,187	$ 21,036,570	$ 27,118,757	$ 5,579,193	$ 1,426,170	$ 34,124,120

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statements of Functional Expenses
Year Ended June 30, 2022

	Program Services			Supporting Services		
	Educational Solutions	Services Coordination	Total Program Services	Administration	Fundraising	Total
Salaries	$ 2,336,823	$ 10,756,428	$ 13,093,251	$ 1,669,484	$ 911,063	$ 15,673,798
Employee benefits	588,703	1,828,180	2,416,883	238,215	131,745	2,788,843
Total employee compensation	2,925,526	12,584,608	15,510,134	1,907,699	1,042,808	18,460,641
Volunteer services	1,396,526	20,400	1,416,926	-	-	1,416,926
Professional fees	272,516	2,770,184	3,042,700	1,110,073	495,382	4,648,155
Data processing	55,358	526,557	581,915	669,717	12,207	1,263,839
Maintenance and repairs	100,901	441	101,342	352,633	-	453,975
Marketing	2,385	549,909	552,294	41	2,963	555,298
Staff recruitment and training	12,532	150,101	162,633	138,075	935	301,643
Rent and utilities	316,369	-	316,369	2,418	-	318,787
Production supplies	229,779	-	229,779	-	-	229,779
Books and publications	19,164	203,377	222,541	104,768	13,494	340,803
Telephone	22,567	2,079	24,646	111,114	122	135,882
Travel and conferences	14,709	411,310	426,019	83,158	35,577	544,754
Awards and grants	-	75,000	75,000	-	-	75,000
Other	3,461	65,020	68,481	116,105	2,264	186,850
Office supplies	19,180	12,010	31,190	23,251	852	55,293
Postage and packaging	7,976	2,836	10,812	3,804	12,106	26,722
Interest	-	-	-	5,070	-	5,070
Expenses before depreciation	5,398,949	17,373,832	22,772,781	4,627,926	1,618,710	29,019,417
Depreciation	102,288	8,300	110,588	70,765	66	181,419
Total expenses	$ 5,501,237	$ 17,382,132	$ 22,883,369	$ 4,698,691	$ 1,618,776	$ 29,200,836

See notes to financial statements

LEARNING ALLY, INC.
(A New Jersey Not-for-Profit Organization)

Statements of Cash Flows

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash flows from operating activities:		
Change in net assets	**$ (2,646,088)**	$ (3,608,744)
Adjustments to reconcile change in net assets to net cash provided by (used in) provided by operating activities:		
Depreciation and amortization	**318,710**	181,419
Change in discount and allowance related to contributions receivable	**56,967**	(33,962)
Net gain on disposition of land, property and equipment	**-**	(4,562,135)
Net unrealized and realized (gains) loss on investments and perpetual trusts	**(289,000)**	6,902,577
Donated securities	**(69,359)**	(22,684)
Proceeds from sale of donated securities	**68,586**	23,404
Provision for allowance for uncollectible notes receivable	**1,132,243**	-
Non-cash lease expense	**234,116**	-
Change in assets and liabilities:		
Grants and other receivables	**383,786**	(1,464,314)
Interest receivable	**(28,972)**	-
Contributions receivable	**1,890,223**	(2,347,630)
Prepaid expenses and other current assets	**189,804**	(522,674)
Lease liability	**(181,537)**	-
Split-interest agreements and other arrangements	**17,677**	35,879
Accounts payable and accrued expenses	**(1,543,312)**	1,550,760
Deferred revenue	**607,891**	1,751,142
Net cash provided by (used in) operating activities	**141,735**	(2,116,962)
Cash flows from investing activities:		
Purchases of investments	**(1,696,284)**	(2,835,560)
Proceeds from sales of investments	**4,520,514**	1,544,638
Disbursement of notes receivable	**(4,500,000)**	-
Purchase of other assets	**-**	(508,710)
Purchase of property and equipment	**(1,024,947)**	(425,042)
Proceeds from sale of land, property and equipment	**-**	6,703,341
Net cash (used in) provided by in investing activities	**(2,700,717)**	4,478,667
Net increase in cash and cash equivalents	**(2,558,982)**	2,361,705
Cash and cash equivalents, beginning of year	**4,095,396**	1,733,691
Cash and cash equivalents, end of year	**$ 1,536,414**	$ 4,095,396
Supplemental disclosure of cash flow information:		
Interest paid	**$ -**	$ 5,070

NOTE A - ORGANIZATION

Learning Ally, Inc. (the "Organization") is a leading nonprofit education solutions organization dedicated to equipping educators with proven solutions that help struggling learners reach their potential. The Organization's range of literacy-focused offerings for students Pre-K to 12th grade and catalog of professional learning allow us to support more than 2.3 million students and 600,000 educators across the U.S. Through Whole Child Literacy™, the Organization approaches literacy skills development with a holistic lens on the unique variables surrounding each student's learning ability and difference. The Organization's educational services include the Learning Ally Audiobook Solution, which is our cornerstone award-winning reading accommodation available in 23,000 schools to help students with reading deficits succeed, and Excite Reading™, our new digital PreK-2 supplemental literacy curriculum designed to bolster foundational language comprehension and vocabulary acquisition skills for children of all backgrounds and abilities with the support they need to truly comprehend and connect with texts. Learning Ally's professional learning and educator outreach programs are designed to empower educators to help struggling students become engaged, independent readers through deeper understanding of research and best practices around reading, job-embedded action planning and coaching, and community tools that support the transformation of daily practice. Learning Ally, Inc. is partially funded by grants from federal, state and local education programs, and the generous contributions of individuals, foundations and corporations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The accompanying financial statements, which are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

(i) Net assets with donor restrictions: Perpetual restrictions:

Net assets subject to donor- (or certain grantor-) imposed restrictions that they be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments without donor restrictions or for specific purposes.

(ii) Net assets with donor restrictions: Purpose restrictions:

Net assets subject to donor- (or certain grantor-) imposed stipulations that will be met either by actions of the Organization, or the passage of time as specified by donor, and earnings derived from donor-restricted endowments not yet appropriated for expenditure by the Board of Directors (the "Board") or appropriated but not yet spent for their donor designated purpose. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(iii) Net assets without donor restrictions:

Net assets not subject to donor- (or certain grantor-) imposed restrictions and available for use in general operations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Basis of presentation: (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor- or grantor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is purpose or perpetual restricted by explicit donor stipulations or by law. Expiration of purpose restrictions are reported as net assets released from restrictions on the statements of activities.

[2] Government grants and contracts:

Contribution revenue from federal and state grants is recognized to the extent that qualifying reimbursable expenses have been incurred under the terms of the respective agreements or performance measures as stipulated in the grants have been met. Contribution revenue is recognized over time as each performance requirement is achieved or as allowable expenditures are incurred. Amounts received in advance are deferred until such time that the underlying obligation is satisfied by Learning Ally, Inc. As of June 30, 2023 and 2022, the Organization does not have a refundable advance. Government grants and contracts, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional government grants and contracts outstanding as of June 30, 2021 and 2020.

[3] Membership fees and services and deferred revenue:

Membership fees and services consists of memberships from new school customers, existing school customers ("school renewals"), direct to consumer customers, and professional learning service revenue from conferences and professional learning. The amount of the membership fees and services is considered commensurate with the services and benefits provided and, therefore, the entire amount is considered an exchange transaction. Professional learning service revenue is recorded at the point in time when the service is provided to the customer or when the customer is legally obligated to make payments. Services provided generally include professional learning designed to support educators. Membership fees revenue is recognized ratably over the contract period, which range in duration from one to five years, as services are simultaneously received and consumed by customers. Membership fees and services are recorded net of promotional discounts and hardship waivers totaling $2,324,369 and $2,001,930 for the years ended June 30, 2023 and 2022, respectively.

Membership fees collected, which relate to the following fiscal year and revenue recognition criteria are not yet met, are deferred until earned and are recorded as deferred revenue on the statements of financial position.

Disaggregated June 30, 2023 and 2022 revenue based upon the transfer of control to the customer is as follows:

	2023	2022
Revenue recognized at a point in time	**$ 1,469,284**	$ 1,484,736
Revenue recognized over time		
New schools	**3,608,090**	3,497,083
School renewals	**5,808,583**	5,033,034
Direct to consumer	**2,222,583**	2,430,626
Total membership fees and services revenue	**$ 13,108,540**	$ 12,445,479

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Membership fees and services and deferred revenue: (continued)

The opening and closing balances of the July 1, 2021, June 30, 2022, and June 30, 2023 for grants and other receivable and deferred revenue are:

	July 1, 2021	June 30, 2022	June 30, 2023
Grants and other receivable	$ 4,170,385	$ 5,634,699	$ 5,250,913
Deferred revenue	$ (7,467,542)	$ (9,218,684)	$ (9,826,575)

[4] Contributions, private grants, and legacies:

Contributions, including unconditional promises to give, private grants, and legacies are recognized as revenues in the period received. These donations provide funding to be used to support the mission of the Organization. As the donors are not receiving a benefit as a result of these transactions, the donations are considered to be contributions to the Organization. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Unconditional promises to give (pledges) that are expected to be collected in excess of one year are recorded net of an appropriate discount (using a credit-adjusted rate) to reflect the present value of expected future cash flows. Allowances are recorded for estimated uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Contributions receivable are written-off in the period in which they are deemed uncollectible and expensed in the net asset category where the related receivable resides.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give outstanding as of June 30, 2023 and 2022.

[5] Split-interest agreements and other arrangements:

The Organization recognizes contribution revenue and related asset when an irrevocable split-interest agreement naming it as trustee and beneficiary is executed. When an unrelated third-party acts as trustee or fiscal agent for the split-interest agreement, the Organization recognizes contribution income when it is notified of the agreement's existence, the Organization being a beneficiary and all relevant information is made known to it. The Organization's split-interest agreements are managed by third-party trustees, in accordance with stipulations of the donors who established them.

a) Beneficial interest in perpetual trusts held by others:

A perpetual trust held by a third party is an arrangement in which the donor establishes and funds a trust that is administered by an outside third party. Under the terms of the trust, the Organization has the right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in the trust. The Organization recognizes its beneficial interest in perpetual trusts at the fair value of its interest of the underlying assets. The trusts are recorded as net assets with donor restrictions – perpetual restrictions, and the changes in value of the trusts have been reported in the statements of activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Split-interest agreements and other arrangements: (continued)

b) Beneficial interest in other charitable trusts:

Beneficial interests in other charitable trusts are arrangements in which the donor establishes and funds a trust that is administered by an outside third party. Under the terms of the trust, the Organization has the right to receive the income earned on its interest in the trust assets for a finite period of time and, in certain instances, the Organization is entitled to receive its interest in the trust assets upon the termination of the trust.

The fair value of its interest in the trusts is computed at the present value (discount rate of 5.38% as of June 30, 2023 and a range from 5.38% to 5.77% as of June 30, 2022) of the estimated future cash flows to be received from the trusts. The trusts are recorded as net assets with donor restrictions – purpose restrictions, and the changes in the value of the trusts have been reported in the statements of activities.

[6] Functional allocation of expenses:

The costs of providing the program and supporting services of the Organization have been summarized on a functional basis on the accompanying statements of activities. The statements of functional expenses present the natural classification detail of expenses by function based on the duties and responsibilities of a position. The Organization employs the direct method to assign costs. The Organization designates staff and expenses to one of three categories: program services (either development/production of programs or implementation of programs), fundraising or administration. Compensation and related costs are directly assigned to either program services, fundraising or administration. Staff and related costs assigned to fundraising are not allocated to program services or administration. Administrative costs, such as administration support are not allocated to program services or fundraising, except on a very limited basis when a specific benefit has been identified. In such a case, the allocation is based on the time spent to enable that benefit. All other expenses are charged directly to program, administration, and fundraising expenses as incurred.

[7] Cash equivalents:

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less, and are reported as part of cash and cash equivalents, except those amounts that are held for long-term investment.

[8] Software development costs:

Software development costs incurred for software developed for external use are capitalized when the product reaches the point of technological feasibility through when the product is available for general release to customers. Software development costs are amortized beginning when the product is available for general release to customers. Such costs totaled $ 339,140 and $508,710 for the years ended June 30, 2023 and 2022, respectively, and are included within other assets on the statement of financial position. As of June 30, 2023, amortization of software development costs totaled $169,570. As of June 30, 2022, the product has not been made available for general release to customers. Therefore, no amortization has occurred for the year ended June 30, 2022.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Leases:

In February 2016, the FASB issued ASC 842, Leases in order to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted ASC 842 using the effective date method, using an effective date of July 1, 2022. Accordingly, the Organization applied the guidance to each lease that had commenced as of the adoption date and also elected a package of practical expedients which included the following: no requirement to reassess (a) whether any expired or existing contracts are, or contain, leases, (including land easements that were not accounted for as containing a lease prior to transition) (b) the lease classification for any expired or existing leases and (c) the recognition requirements for initial direct costs for any existing leases. The Organization also elected a practical expedient to account for lease and non-lease components as a single lease component for all classes of underlying assets. The Organization excluded short-term leases having initial terms of twelve months or less from the new guidance as an accounting policy election and recognizes rent expense for such leases on a straight-line basis over the lease term. In calculating the related lease liabilities at the time of adoption, the Organization utilized historical experience when determining the noncancelable portion of the lease term and elected to use the risk-free rate as the discount rate applicable to each lease term.

As a result of the adoption of the new lease accounting, the Organization recognized a lease liability as of July 1, 2022 of approximately $3.1 million. There were no subsequent leases that commenced during 2023. The initial liability represents the present value of the remaining lease payments, using a risk-free rate of 2.88%. As of June 30, 2023, the carrying amount of the lease liability was approximately $2.9 million. The Organization also recognized an initial ROU asset equal to the amount of the lease liability. The ROU asset carrying value as of June 30, 2023 was approximately $2.9 million.

The standard had a material impact on the Organization's statement of financial position but did not have a material impact on its consolidated statements of activities, nor consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

[10] 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[11] Measure of operations:

Excess/(deficiency) of operating revenue and other support over operating expenses before nonoperating activities represents all revenues generated to support the Organization's programs and solutions and all expenses that are integral to the development, implementation and support of the Organization's programs and solutions.

Nonoperating activities include: (1) gain on disposition of land, property and equipment, (2) net unrealized and realized gains/(losses) on investments and perpetual trusts, (3) changes in value of split-interest agreements and, (4) provision for allowance for uncollectible notes receivable.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Income taxes:

The Internal Revenue Service (the "IRS") has recognized Learning Ally, Inc. as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require the recognition of a liability or disclosure in the financial statements. The Organization recognizes accrued interest and penalties associated with uncertain tax provisions, if any. There were no income tax-related interest and penalties recorded for the years ended June 30, 2023 and 2022.

[13] Concentrations of risk:

The Organization maintains a significant investment portfolio, which includes money market funds, mutual funds, corporate stocks and fund of funds. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence on key individuals and nondisclosure of portfolio composition. The Organization regularly reviews the performance and risks associated with these investments. In addition, the Organization utilizes the services of an external investment consultant who continually monitors the individual investment fund performance, any changes in management at the investment fund or any other significant matters affecting the fund and advises the Organization of any such changes.

The Organization maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, the Organization places its cash accounts with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate nonperformance by these financial institutions.

[14] Upcoming accounting pronouncements:

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. The standard modifies the impairment model for most financial assets, including trade accounts receivables and loans, and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The effective date of the standard is for fiscal years beginning after July 1, 2023. The Organization anticipates that adoption of ASU 2016-13 will not have a material impact on its consolidated financial statements.

[15] Subsequent events:

The Organization evaluated subsequent events through January 26, 2024, the date these financial statements were available to be issued.

NOTE C - INVESTMENTS

Investments are stated at fair value. The fair value of all money market funds, mutual funds, and U.S. corporate stocks are based on quotations obtained from national securities exchanges as of the respective measurement date. The estimated fair value of the fund of funds is reported at the net asset value ("NAV") as reported by the Fund manager, which is reviewed by management for reasonableness. NAV is used as a practical expedient to estimate and report the fair value of the Organization's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount which differs from NAV. Interest and dividends and unrealized and realized gains and losses are reported in the statements of activities. Interest and dividends, net, consists of interest and dividend income less external and direct internal investment expenses. As of June 30, 2023 and 2022, the Organization had no specific plans or intentions to sell investments at amounts different than NAV. Because the fund of funds is not readily marketable, its estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed and the difference could be material.

Investments as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Money market funds	**$ 49,484**	$ 36,473
Mutual funds	**200,891**	207,596
U.S. corporate stocks	**249,513**	246,565
Fund of funds	**14,336,001**	17,164,357
	$ 14,835,889	$ 17,654,991

NOTE D - FAIR VALUE HIERARCHY

Fair Value Measurements and Disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under *Fair Value Measurements and Disclosures* and the Organization's related types are described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

LEARNING ALLY, INC.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
June 30, 2023 and 2022

NOTE D - FAIR VALUE HIERARCHY (CONTINUED)

	2023			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 49,484	$ 49,484	$ -	$ -
Mutual funds	200,891	200,891	-	-
U.S. corporate stocks	249,513	249,513	-	-
Fund of funds measured at NAV (A)	14,336,001	-	-	-
	14,835,889	499,888	-	-
Split interest agreements and other arrangements	6,244	-	-	6,244
Beneficial interest in perpetual trusts	5,340,027	-	-	5,340,027
	$ 20,182,160	$ 499,888	$ -	$ 5,346,271

	2022			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 36,473	$ 36,473	$ -	$ -
Mutual funds	207,596	207,595	-	-
U.S. corporate stocks	246,565	246,565	-	-
Fund of funds measured at NAV (A)	17,164,357	-	-	-
	17,654,991	490,633	-	-
Split interest agreements and other arrangements	23,921	-	-	23,921
Beneficial interest in perpetual trusts	5,055,383	-	-	5,055,383
	$ 22,734,295	$ 490,633	$ -	$ 5,079,304

(A) Certain investments that are measured at fair value using NAV per share (or its equivalent) as the practical expedient have not been classified as Level 1, 2 or 3 in the fair value hierarchy. The fund of funds employs a globally diversified portfolio, which seeks to achieve total return, which exceeds inflation plus 5%. The fund has no unfunded commitments or liquidity restrictions as of June 30, 2023 and 2022.

NOTE D - FAIR VALUE HIERARCHY (CONTINUED)

The following table presents the Organization's activity for all Level 3 assets measured at fair value on an annual basis for the years ended June 30, 2023 and 2022:

	2023		
	Total Level 3	Beneficial Interest in Perpetual Trusts	Split Interest Agreements and Other Arrangements
Balance June 30, 2022	**$ 5,079,304**	**$ 5,055,383**	**$ 23,921**
Distributions	**(334,467)**	**(313,106)**	**(21,361)**
Change in value of split interest agreements and other arrangements	**3,684**	**-**	**3,684**
Net realized and unrealized gain	**597,750**	**597,750**	**-**
Ending balance, June 30, 2023	**$ 5,346,271**	**$ 5,340,027**	**$ 6,244**

	2022		
	Total Level 3	Beneficial Interest in Perpetual Trusts	Split Interest Agreements and Other Arrangements
Balance June 30, 2021	$ 5,926,330	$ 5,866,530	$ 59,800
Distributions	(220,721)	(195,186)	(25,535)
Change in value of split interest agreements and other arrangements	(10,344)	-	(10,344)
Net realized and unrealized loss	(615,961)	(615,961)	-
Ending balance, June 30, 2022	$ 5,079,304	$ 5,055,383	$ 23,921

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2023 and 2022, there were no transfers into or out of Levels 1, 2, or 3.

NOTE E - ENDOWMENT

The Organization's endowment consists of approximately 40 individual donor-restricted funds established for a variety of purposes.

[1] Interpretation of relevant law:

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restrictions – perpetual restrictions: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment, and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor restricted endowments not retained in perpetuity are classified as net assets with donor restrictions – purpose restrictions until such amounts are appropriated for expenditure by the Organization and spent in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and its donor-restriction endowment;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from endowment investments;
- Other resources of the Organization; and
- The investment policy of the Organization.

The following represents the Organization's endowment funds, by net asset category, as of June 30, 2023 and 2022:

	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Donor-restricted endowment funds	**$ -**	**$ 5,474,541**	**$ 7,913,380**	**$ 13,387,921**

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Donor-restricted endowment funds	$ -	$ 4,538,093	$ 7,913,380	$ 12,451,473

Net assets with donor restrictions – perpetual includes $5,340,027 and $5,055,383, respectively, at June 30, 2023 and 2022, of beneficial interest in perpetual trusts which are not reflected above as a component of perpetually restricted endowment funds.

NOTE E - ENDOWMENT (CONTINUED)

[1] Interpretation of relevant law: (continued)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	2023			
	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual	Total
Endowment net assets, at June 30, 2022	$ -	$ 4,538,093	$ 7,913,380	$ 12,451,473
Investment return:				
Investment income, net of fees	-	1,279,389	-	1,279,389
Net appreciation (realized and unrealized)	-	592,616	-	592,616
Total investment return	-	1,872,005	-	1,872,005
Expenditure of appropriated endowment net assets	-	(935,557)	-	(935,557)
Endowment net assets, at June 30, 2023	$ -	$ 5,474,541	$ 7,913,380	$ 13,387,921

	2022			
	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual	Total
Endowment net assets, at June 30, 2021	$ -	$ 7,936,994	$ 7,913,380	$ 15,850,374
Investment return:				
Investment income, net of fees		2,225,998		2,225,998
Net depreciation (realized and unrealized)	-	(4,934,889)	-	(4,934,889)
Total investment return	-	(2,708,891)	-	(2,708,891)
Expenditure of appropriated endowment net assets	-	(690,010)	-	(690,010)
Endowment net assets, at June 30, 2022	$ -	$ 4,538,093	$ 7,913,380	$ 12,451,473

[1] – Net assets appropriated by the Board, but not yet spent and not reflected above as a component of expenditure of appropriated endowment net assets totaled $326,408 and $1,215,411 during the year ended June 30, 2023 and June 30, 2021 respectively.

NOTE E - ENDOWMENT (CONTINUED)

[1] Interpretation of relevant law: (continued)

Description of amounts classified as net assets with donor restrictions – perpetual restrictions and purpose restrictions (endowment only) for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Net Assets With Donor Perpetual Restrictions:		
The portion of perpetual endowment funds that are required to be retained permanently by explicit donor stipulation	**$ 7,913,380**	$ 7,913,380
Total endowment funds classified as net assets with donor perpetual restrictions	**$ 7,913,380**	$ 7,913,380
Net Assets With Donor Purpose Restrictions:		
The portion of endowment funds which must be appropriated for expenditure before use:		
Without purpose restrictions (see Note H)	**$ 1,235,845**	$ 775,521
With purpose restrictions (see Note H)	**3,912,288**	2,976,647
	5,148,133	3,752,168
The portion of endowment funds appropriated but not yet spent:		
With purpose restrictions (see Note H)	**326,408**	785,925
Total endowment funds classified as net assets with donor purpose restrictions	**$ 5,474,541**	$ 4,538,093

[2] Funds with deficiencies:

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions – perpetual restrictions. For the year ended June 30, 2023 and 2022 there were no funds with deficiencies.

[3] Return objectives and risk parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

NOTE E - ENDOWMENT (CONTINUED)

[4] Appropriation policy:

The Organization has a policy to allow for appropriation, a distribution each year of 7% of the endowment's rolling three-year average fair value. In establishing this policy, the Organization considered the long-term expected return on its endowment, mentioned above. The Board of Trustees approved an appropriation of $736,566 and $2,440,347 from earnings of endowment net assets for expenditure, during fiscal year 2023 and 2022, respectively, for current and future years. Of the approved appropriation $935,557 and $690,010 were spent and released from endowment net assets, during fiscal years 2023 and 2022, respectively.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. It is the Organization's policy to capitalize property and equipment over $1,000 and lesser amounts are expensed. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets and consists of the following as of June 30, 2023 and 2022:

	2023	2022	Depreciable Life
Construction in progress	**$ 29,850**	$ 164,096	
Recording and office equipment	**6,505,471**	5,346,279	3 - 10 years
	6,535,321	5,510,375	
Less: accumulated depreciation	**(5,198,480)**	(5,049,341)	
Property and equipment, net	**$ 1,336,841**	$ 461,034	

Depreciation expense was $149,139 and $181,419 for the years ended June 30, 2023 and 2022, respectively.

During 2022, the Organization sold its building and land located in New Jersey for a purchase price of approximately $6.5 million. Concurrent with the sale, the Organization entered into a lease agreement (see Note L).

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2023 and 2022. In the opinion of management, there was no impairment during the years ended June 30, 2023 and 2022. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

NOTE G - DONATED SERVICES, GOODS AND RENT

The Organization is dependent on volunteer time to record new audiobooks. The recording of the audiobooks requires specialized skills of which would have to be provided by paid professionals if not for the skilled volunteers. Due to this, the Organization has recorded donated services for the recording of the audiobooks.

NOTE G - DONATED SERVICES, GOODS AND RENT (CONTINUED)

To properly recognize the significant role of volunteers and contributions of services in furtherance of the Organization's mission, the Organization has adopted procedures to both accumulate and measure the fair value of certain donated services related to the recording of books by professionals. Donated services for the Organization consist primarily of recording studio time incurred/contributed by volunteers, which has been valued at $58 and $54 per hour for the years ended June 30, 2023 and 2022, respectively. The rate is based upon periodic surveys of rates charged by professional readers for comparable work. Donated services have been recognized as revenue and expense on the statements of activities and have been allocated under the direct method to the functions benefited and included volunteer services of $1,119,193 and $1,416,926, for the year ended June 30, 2023 and 2022, respectively.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

[1] Purpose restricted net assets:

Purpose restricted net assets consist of gifts and other unexpended revenues and gains available for the following purposes as of June 30, 2023 and 2022:

	2023	2022
Subject to expenditure for a specified purpose:		
Blind and Visually-Impaired	**$ 135,585**	$ 159,672
Content development (audiobooks & learning solutions)	**1,010,025**	128,247
Other	**132,724**	123,145
	1,278,334	411,064
Subject to Organization's spending policy and appropriation:		
National Achievement Awards (scholarships)	**3,185,259**	2,561,825
Development, production and distribution of learning resources – nationally	**637,188**	414,821
Development, production and distribution of learning resources – regionally	**416,249**	785,925
With purpose restriction	**4,238,696**	3,762,571
General operations	**1,235,845**	775,521
	5,474,541	4,538,092
	6,752,875	4,949,156
Beneficial interests in split-interest agreements	**6,244**	23,921
Contributions which are unavailable for expenditure until received	**2,035,023**	3,982,214
	$ 8,794,142	$ 8,955,291

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

[2] Perpetual restricted net assets:

Perpetual restricted net assets consist of beneficial interests in perpetual trusts and endowment gifts from donors with donor specified restrictions that the principal be maintained in perpetuity and the income is used primarily for development, production and distribution of learning resources, National Achievement Awards or general purposes. Perpetual restricted net assets are as follows for the years ended June 30, 2023 and 2022:

	2023	2022
National Achievement Awards (scholarships)	**$ 2,390,601**	$ 2,390,601
Development, production and distribution of learning resources – nationally	**1,467,291**	1,467,291
Development, production and distribution of learning resources – regionally	**1,052,719**	1,052,719
With purpose restriction	**4,910,611**	4,910,611
General operations	**3,002,769**	3,002,769
Endowment funds required to be retained	**7,913,380**	7,913,380
Beneficial interests in charitable trusts held by others	**5,340,027**	5,055,383
Net assets with perpetual restrictions	**$ 13,253,407**	$ 12,968,763

[3] Released from perpetual and purpose restricted net assets:

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purpose or by the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions:		
Content development (audiobooks & learning solutions)	**$ 11,000**	$ 17,150
Blind and Visually-Impaired	**24,086**	205,385
Implementation of educational solutions in specific schools	**630,897**	908,434
Subsidizing of individual memberships	**106,599**	15,774
	772,582	1,146,743
Earnings on donor-restricted endowments:		
Expenditure of net assets appropriated by the Board[1]	**935,557**	690,010
Distributions (proceeds are not restricted by donors):		
Beneficial interests in split-interest agreements	**21,361**	25,497
Expiration of time restrictions:		
Payments on contributions receivables & annuities	**2,102,729**	1,453,170
Net assets released from donor restrictions	**$ 3,832,229**	$ 3,315,420

[1] – Net assets appropriated by the Board but not spent as of June 30, 2023 were $326,408, which are not reflected above as a component of appropriation of endowment net assets for expenditures.

NOTE I - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give and are expected to be received as follows:

	2023	2022
Less than one year	**$ 740,000**	$ 2,380,222
One to five years	**-**	250,000
More than five years	**1,510,000**	1,510,000
	2,250,000	4,140,222
Less:		
Allowance for uncollectible promises	**-**	(27,500)
Present value discount (3.09% to 3.19% in 2023 and 3.09% to 3.24% in 2022)	**(214,975)**	(130,508)
Contributions receivable, net	**$ 2,035,025**	$ 3,982,214

NOTE J- GRANTS AND OTHER RECEIVABLES

Grants and other receivables consisted of the following at June 30, 2023 and 2022:

	2023	2022
Government grants	**$ 832,448**	$ 499,214
Customer and other receivables	**4,418,465**	5,135,485
Grants and other receivables	**$ 5,250,913**	$ 5,634,699

NOTE K - NOTES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLES NOTES RECEIVABLE

During the year ended 2023, the Organization issued two promissory notes with the principal amount totaling $4.5 million. The notes bear interest at 3.00%. The notes matured on June 30, 2023, and are due upon call.

An allowance was established for approximately $1.1 million and is recorded net of the notes receivable on the statement of financial positions and as allowance on uncollectible notes receivable on the statement of activities. The Company recognizes the inherent risk associated with its notes receivable and maintains an allowance for uncollectible note receivable to reasonably estimate potential credit losses. The allowance is determined through specific customer credit assessments.

NOTE L - RETIREMENT PLANS

The Organization implemented the Learning Ally 401(k) Plan (the "LA Plan") effective January 1, 2014. Employees who meet the eligibility requirements can make contributions to the LA Plan upon hire and such contributions vest immediately. Employees are automatically enrolled in the LA Plan at a 3% deferral rate once eligibility requirements are satisfied, but are also given the option to opt-out of the plan. The Organization may make matching contributions, at its discretion, on a uniform basis, for all participants. Discretionary contributions made on behalf of employees vest over time.

The Organization determined discretionary contributions of $134,515 and $171,366, respectively, for the years ended June 30, 2023 and 2022 be made.

NOTE M - LEASES AND COMMITMENTS

Operating leases are recorded as ROU assets and lease liabilities (current portion and long-term portion) on the accompanying statements of financial position. ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line lease expense over the lease term. Renewal options have not been included, as it is not reasonably certain that such options will be exercised.

Rent expense recorded for all facilities amounted to $374,879 and $155,865 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, the weighted average remaining lease term (in years) is 10, and the weighted average discount rate used to calculate the present value of the lease payments is 2.88%.

For the year ended June 30, 2022, the Organization accounted for leases under ASC 840. Operating leases were recorded on a straight-line basis over the term of the lease.

Year Ending June 30,	Amount
2024	$ 336,030
2025	347,791
2026	359,963
2027	372,562
2028-2032	1,879,698
	3,296,044
Less: amount representing interest	(389,505)
Present value of lease obligations	$ 2,906,539

NOTE M - LEASES AND COMMITMENTS (CONTINUED)

The Organization is obligated under several service contracts that expire at various dates through 2027. The approximate future minimum annual payments due under noncancelable service contracts are as follows:

Year Ending June 30,	Amount
2024	$ 456,942
2025	264,150
2026	6,014
2027	3,759
	$ 730,865

On February 3, 2022, the Organization entered into a purchase and sale agreement (the "Purchase and Sale Agreement") in which the third party purchaser obtained control of the assets. Pursuant to the terms of the Purchase and Sale Agreement, the Organization sold its building and land (the "Property") located in New Jersey for a purchase price of approximately $6.5 million. The Organization incurred transaction costs of approximately $.3 million and the Property had a carrying value of approximately $1.9 million resulting in a gain of approximately $4.9 million. Concurrent with the sale, the Organization entered into a ten-year lease agreement, whereby the Organization leased back the Property at an initial annual rent of $320,000 subject to annual rental increases of 3.5%. Under the lease agreement, the Organization renewal options to extend the lease term.

NOTE N - CONTINGENCIES

The Organization is a party to litigation and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the financial position, changes in net assets or cash flows of the Organization.

NOTE O - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization monitors its liquidity by forecasting its cash needs over the next year relative to cash expected to be generated based on the Organization's operating plan and budget. This forecast is revised periodically based on current trends and circumstances not anticipated in the original budget. Revision, if necessary, to the operating plan are implemented to ensure cash from operations is within the range of break-even to plus/minus $2 million.

Cash expected to be generated is reasonably predictable given the source is from several government grants which have been in place for a number of years, a membership base with a renewal rate in the mid-to-high 80%, and a core number of foundations and donors that have contributed to the Organization over a number of years.

In the event the Organization would need to rely on its reserves, the components of its investments at June 30, 2023 and 2022, without donor restrictions was approximately $1.3 million and $5.0 million, respectively. The Organization's total investment balance at June 30, 2023 and 2022 was approximately $14.8 million and $17.5 million, respectively, of which $7.9 million and $7.9 million is permanently restricted by donors, $5.4 million and $4.6 million is available upon the Organization's Board appropriating funds, and $1.3 million and $5.0 million, respectively, is without donor restrictions.

NOTE O - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of June 30, 2023 and 2022, the Organization's cash and cash equivalents plus the component of its investments without donor restrictions relative to its payables and current obligations, including lease liability, commitments through 2032 but excluding deferred revenue, was .45 to 1 and 2.94 to 1, respectively. In addition, if needed, $5.4 million is available for development, production and distribution of learning resources, National Achievement Awards or unrestricted purposes, upon the Organization's Board appropriating such funds, as of June 30, 2023.

Financial assets available for general expenditures within one year of the statements of financial position as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	**$ 1,536,414**	$ 4,095,396
Grants and other receivables expected to be collected that are not restricted	**3,218,424**	3,474,121
Notes receivable	**3,396,729**	-
Contribution receivables expected to be collected that are not restricted	**490,000**	2,102,723
Investments without donor restrictions	**1,305,343**	4,981,222
Total	**$ 9,946,910**	$ 14,653,462