

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

FINANCIAL STATEMENTS

JUNE 30, 2024 and 2023

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

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Learning Ally, Inc.

### **Report on the Audit of 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, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Learning Ally, Inc. as of June 30, 2024 and 2023, 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  
December 16, 2024



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

**Statements of Financial Position**

	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,819,639	\$ 1,536,414
Grants and other receivables	4,429,114	5,250,913
Notes receivable, net	2,235,514	3,367,757
Interest receivable	-	28,972
Contributions receivable, net	1,822,645	2,035,025
Investments	16,510,280	14,835,889
Prepaid expenses and other current assets	1,087,352	956,444
Split-interest agreements and other arrangements	-	6,244
Beneficial interest in perpetual trusts	5,954,126	5,340,027
Property and equipment, net	1,162,565	1,336,841
Other assets	169,570	339,140
Right of use asset	<u>2,555,657</u>	<u>2,853,960</u>
 Total assets	 <u>\$ 40,746,462</u>	 <u>\$ 37,887,626</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,325,735	\$ 2,084,349
Deferred revenue	8,680,551	9,826,575
Lease liability	<u>2,650,084</u>	<u>2,906,539</u>
 Total liabilities	 <u>14,656,370</u>	 <u>14,817,463</u>
 Commitments (see Note L)		
<b>NET ASSETS</b>		
Without donor restrictions	<u>6,376,750</u>	<u>1,022,614</u>
With donor restrictions:		
Purpose restrictions	9,312,393	8,794,142
Perpetual restrictions	<u>10,400,949</u>	<u>13,253,407</u>
	<u>19,713,342</u>	<u>22,047,549</u>
 Total net assets	 <u>26,090,092</u>	 <u>23,070,163</u>
 Total liabilities and net assets	 <u>\$ 40,746,462</u>	 <u>\$ 37,887,626</u>

See notes to financial statements

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

**Statement of Activities**  
**Year Ended June 30, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose</u>	<u>Perpetual</u>	
<b>Operating revenue and other support:</b>				
Contributions, private grants and legacies	\$ 2,852,406	\$ 5,686,531	\$ 502,003	\$ 9,040,940
Donated services, goods and rent	937,448	-	-	937,448
Membership fees and services, net				
New schools	2,231,389	-	-	2,231,389
School renewals	7,956,648	-	-	7,956,648
Direct to consumer	2,058,515	-	-	2,058,515
Professional learning services	787,814	-	-	787,814
Government grants and contracts (see Note B[2])	7,819,348	-	-	7,819,348
Interest and dividends, net	181,433	552,920	-	734,353
Other revenue	470,833	-	-	470,833
	<u>25,295,834</u>	<u>6,239,451</u>	<u>502,003</u>	<u>32,037,288</u>
Net assets released from restrictions pursuing to an appropriation of an endowment net assets (see Note H)	5,461,268	(1,498,933)	(3,962,335)	-
Net assets released from restrictions-other	5,942,432	(5,942,432)	-	-
Total operating revenue and other support	<u>36,699,534</u>	<u>(1,201,914)</u>	<u>(3,460,332)</u>	<u>32,037,288</u>
<b>Operating expenses:</b>				
Program services:				
Educational solutions	5,497,404	-	-	5,497,404
Services coordination	17,580,030	-	-	17,580,030
Total program services	<u>23,077,434</u>	<u>-</u>	<u>-</u>	<u>23,077,434</u>
Supporting services:				
Administration	5,653,532	-	-	5,653,532
Fundraising	1,442,606	-	-	1,442,606
Total supporting services	<u>7,096,138</u>	<u>-</u>	<u>-</u>	<u>7,096,138</u>
Total operating expenses	<u>30,173,572</u>	<u>-</u>	<u>-</u>	<u>30,173,572</u>
Excess/(deficiency) of operating revenue and other support over operating expenses before nonoperating activities	<u>6,525,962</u>	<u>(1,201,914)</u>	<u>(3,460,332)</u>	<u>1,863,716</u>

See notes to financial statements

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

**Statement of Activities (continued)**  
**Year Ended June 30, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Excess/(deficiency) of operating revenue and other support over operating expenses before non-operating activities:	<b>6,525,962</b>	<b>(1,201,914)</b>	<b>(3,460,332)</b>	<b>1,863,716</b>
<b>Non-operating activities:</b>				
Provision for allowance for uncollectible notes receivable	<b>(1,132,243)</b>	-	-	<b>(1,132,243)</b>
Net unrealized and realized gain (loss) on investments and perpetual trusts	<b>(40,465)</b>	<b>1,720,165</b>	<b>607,874</b>	<b>2,287,574</b>
Gain on disposal of equipment	<b>882</b>	-	-	<b>882</b>
Total non-operating activities	<b>(1,171,826)</b>	<b>1,720,165</b>	<b>607,874</b>	<b>1,156,213</b>
<b>Change in net assets</b>	<b>5,354,136</b>	<b>518,251</b>	<b>(2,852,458)</b>	<b>3,019,929</b>
Net assets, beginning of year	<b>1,022,614</b>	<b>8,794,142</b>	<b>13,253,407</b>	<b>23,070,163</b>
<b>Net assets, end of year</b>	<b>\$ 6,376,750</b>	<b>\$ 9,312,393</b>	<b>\$ 10,400,949</b>	<b>\$ 26,090,092</b>

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

**Statement of Activities**  
**Year Ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose</u>	<u>Perpetual</u>	
<b>Operating revenue and other support:</b>				
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[2])	6,559,734	-	-	6,559,734
Interest and dividends, net	624,522	1,376,273	-	2,000,795
Other revenue	102,085	-	-	102,085
	<u>29,248,174</u>	<u>3,069,417</u>	<u>-</u>	<u>32,317,591</u>
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	<u>2,896,672</u>	<u>(2,896,672)</u>	<u>-</u>	<u>-</u>
Total operating revenue and other support	<u>33,080,403</u>	<u>(762,812)</u>	<u>-</u>	<u>32,317,591</u>
<b>Operating expenses:</b>				
Program services:				
Educational solutions	6,082,187	-	-	6,082,187
Services coordination	21,036,570	-	-	21,036,570
Total program services	<u>27,118,757</u>	<u>-</u>	<u>-</u>	<u>27,118,757</u>
Supporting services:				
Administration	5,579,193	-	-	5,579,193
Fundraising	1,426,170	-	-	1,426,170
Total supporting services	<u>7,005,363</u>	<u>-</u>	<u>-</u>	<u>7,005,363</u>
Total operating expenses	<u>34,124,120</u>	<u>-</u>	<u>-</u>	<u>34,124,120</u>
(Deficiency) of operating revenue and other support over operating expenses before nonoperating activities	<u>(1,043,717)</u>	<u>(762,812)</u>	<u>-</u>	<u>(1,806,529)</u>

See notes to financial statements



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

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

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

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

**Statements of Functional Expenses**  
**Year Ended June 30, 2024**

	Program Services			Supporting Services		Total
	Educational Solutions	Services Coordination	Total Program Services	Administration	Fundraising	
Salaries	\$ 2,156,528	\$ 10,978,082	\$ 13,134,610	\$ 2,441,951	\$ 751,597	\$ 16,328,158
Employee benefits	503,901	1,875,173	2,379,074	333,688	92,042	2,804,804
Total employee compensation	2,660,429	12,853,255	15,513,684	2,775,639	843,639	19,132,962
Volunteer services	932,333	-	932,333	-	-	932,333
Professional fees	1,090,849	2,386,011	3,476,860	984,819	536,075	4,997,754
Data processing	72,883	982,073	1,054,956	792,753	10,404	1,858,113
Maintenance and repairs	50,808	733	51,541	457,883	-	509,424
Marketing	-	93,056	93,056	508	104	93,668
Staff recruitment and training	326	49,251	49,577	65,373	68	115,018
Rent and utilities	464,494	-	464,494	4,473	-	468,967
Production supplies	72,821	-	72,821	-	-	72,821
Books and publications	12,903	414,423	427,326	186,445	14,629	628,400
Telephone	7,237	18,400	25,637	68,853	41	94,531
Travel and conferences	6,260	480,448	486,708	70,037	26,209	582,954
Awards and grants	-	84,000	84,000	-	-	84,000
Other	534	30,761	31,295	124,938	244	156,477
Office supplies	13,082	3,063	16,145	10,981	207	27,333
Postage and packaging	8,973	12,898	21,871	2,608	10,986	35,465
Expenses before depreciation	5,393,932	17,408,372	22,802,304	5,545,310	1,442,606	29,790,220
Depreciation and amortization	103,472	171,658	275,130	108,222	-	383,352
Total expenses	\$ 5,497,404	\$ 17,580,030	\$ 23,077,434	\$ 5,653,532	\$ 1,442,606	\$ 30,173,572

See notes to financial statements

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

**Statements of Functional Expenses**  
**Year Ended June 30, 2023**

	<b>Program Services</b>			<b>Supporting Services</b>		<b>Total</b>
	<b>Educational Solutions</b>	<b>Services Coordination</b>	<b>Total Program Services</b>	<b>Administration</b>	<b>Fundraising</b>	
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
<b>Total employee compensation</b>	<b>3,084,693</b>	<b>14,806,149</b>	<b>17,890,842</b>	<b>2,969,382</b>	<b>823,358</b>	<b>21,683,582</b>
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
<b>Expenses before depreciation</b>	<b>6,036,271</b>	<b>20,864,003</b>	<b>26,900,274</b>	<b>5,478,966</b>	<b>1,426,170</b>	<b>33,805,410</b>
Depreciation and amortization	45,916	172,567	218,483	100,227	-	318,710
<b>Total expenses</b>	<b>\$ 6,082,187</b>	<b>\$ 21,036,570</b>	<b>\$ 27,118,757</b>	<b>\$ 5,579,193</b>	<b>\$ 1,426,170</b>	<b>\$ 34,124,120</b>

See notes to financial statements

**LEARNING ALLY, INC.**

(A New Jersey Not-for-Profit Organization)

**Statements of Cash Flows**

	Year Ended June 30,	
	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,019,929	\$ (2,646,088)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	383,352	318,710
Change in discount and allowance related to contributions receivable	67,380	56,967
Gain on disposal of equipment	(882)	-
Net unrealized and realized gain on investments and perpetual trusts	(2,287,574)	(289,000)
Donated securities	(404,808)	(69,359)
Proceeds from sale of donated securities	398,807	68,586
Contribution revenues permanently restricted for long-term investment	495,778	-
Provision for allowance for uncollectible notes receivable	1,132,243	1,132,243
Non-cash lease expense	298,303	234,116
Change in assets and liabilities:		
Grants and other receivables	821,799	383,786
Interest receivable	28,972	(28,972)
Contributions receivable	145,000	1,890,223
Prepaid expenses and other current assets	(130,908)	189,804
Lease liability	(256,455)	(181,537)
Split-interest agreements and other arrangements	6,244	17,677
Accounts payable and accrued expenses	1,241,386	(1,543,312)
Deferred revenue	(1,146,024)	607,891
Net cash provided by operating activities	<u>3,812,542</u>	<u>141,735</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(999,149)	(1,696,284)
Proceeds from sales of investments	1,004,234	4,520,514
Disbursement of notes receivable	-	(4,500,000)
Purchase of equipment	(39,506)	(1,024,947)
Proceeds from sales of equipment	882	-
Net cash used in investing activities	<u>(33,539)</u>	<u>(2,700,717)</u>
<b>Cash flows from financing activities:</b>		
Permanently restricted for long-term investment	(495,778)	-
Net cash used in financing activities	<u>(495,778)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	<b>3,283,225</b>	<b>(2,558,982)</b>
Cash and cash equivalents, beginning of year	<u>1,536,414</u>	<u>4,095,396</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,819,639</b>	<b>\$ 1,536,414</b>

## LEARNING ALLY, INC.

(A New Jersey Not-for-Profit Organization)

### Notes to Financial Statements

June 30, 2024 and 2023

#### 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 2.4 million students and 615,000 educators across the U.S. 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 that helps students with reading deficits succeed, and Excite Reading®, our digital PreK-2 literacy solution designed to bolster foundational language comprehension and vocabulary acquisition skills for children of all backgrounds and abilities. 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.

## LEARNING ALLY, INC.

(A New Jersey Not-for-Profit Organization)

### Notes to Financial Statements

June 30, 2024 and 2023

#### 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, 2024 and 2023, 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, 2024 and 2023.

##### [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 \$1,522,603 and \$2,324,369 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 revenue based upon the transfer of control to the customer is as follows:

	<u>2024</u>	<u>2023</u>
Revenue recognized at a point in time – professional learning services	\$ 787,814	\$ 1,469,284
Revenue recognized over time		
New schools	2,231,389	3,608,090
School renewals	7,956,648	5,808,583
Direct to consumer	<u>2,058,515</u>	<u>2,222,583</u>
Total membership fees and services revenue	<u>\$ 13,034,366</u>	<u>\$ 13,108,540</u>

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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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, 2022, June 30, 2023, and June 30, 2024 for grants and other receivable and deferred revenue are:

	<u>July 1, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Grants and other receivable	\$ 5,634,699	\$ 5,250,913	<b>\$ 4,429,114</b>
Deferred revenue	\$ (9,218,684)	\$ (9,826,575)	<b>\$ (8,680,551)</b>

**[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, 2024 and 2023.

**[5] Grants and other receivables:**

Grants and other receivables are periodically reviewed by management for collectability. Bad debts are provided on the allowance method based on historical experience and management’s evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible.

**[6] Beneficial interest in perpetual trust held by others and other charitable trusts:**

**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.

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### **Notes to Financial Statements**

**June 30, 2024 and 2023**

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[6] Beneficial interest in perpetual trust held by others and other charitable trusts: (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 Organization recognizes its beneficial interest in other charitable trusts at the fair value of its interest in the underlying assets. 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.

##### **[7] 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.

##### **[8] 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.

##### **[9] 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 \$169,570 and \$339,140 for the years ended June 30, 2024, and 2023, respectively, and are included within other assets on the statement of financial position. As of June 30, 2024, and 2023, respectively, amortization of software development costs totaled \$169,570.



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### **Notes to Financial Statements**

**June 30, 2024 and 2023**

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[10] Leases:**

The Organization adopted ASC 842 using the effective date method. The Organization adopted Accounting Standards Update 2016-02, Leases ("ASC 842"), as of July 1, 2022, which requires right-of-use ("ROU") assets and leases liabilities to be recognized on the Statement of Financial Position for the rights and obligations created by lease arrangements. 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.

##### **[11] 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.

##### **[12] 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 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.

##### **[13] 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, 2024 and 2023, 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, 2024 and 2023.

## **LEARNING ALLY, INC.**

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### **Notes to Financial Statements**

**June 30, 2024 and 2023**

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[14] 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.

##### **[15] Adoption of new 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 adoption of the new guidance effective on July 1, 2023, did not have a material impact on the Organization’s financial statements.

##### **[16] Subsequent events:**

The Organization evaluated subsequent events through December 16, 2024, the date these financial statements were available to be issued.

## LEARNING ALLY, INC.

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### Notes to Financial Statements June 30, 2024 and 2023

#### 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, 2024 and 2023, 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, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 51,309	\$ 49,484
Mutual funds	220,829	200,891
U.S. corporate stocks	275,852	249,513
Fund of funds	<u>15,962,290</u>	<u>14,336,001</u>
	<u>\$ 16,510,280</u>	<u>\$ 14,835,889</u>

#### 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.

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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**NOTE D - FAIR VALUE HIERARCHY (CONTINUED)**

	<b>2024</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market funds	\$ 51,309	\$ 51,309	\$ -	\$ -
Mutual funds	220,829	220,829	-	-
U.S. corporate stocks	275,852	275,852	-	-
Fund of funds measured at NAV (A)	<u>15,962,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>16,510,280</b>	<b>547,990</b>	<b>-</b>	<b>-</b>
Beneficial interest in perpetual trusts	<u>5,954,126</u>	<u>-</u>	<u>-</u>	<u>5,954,126</u>
	<b>\$ 22,464,406</b>	<b>\$ 547,990</b>	<b>\$ -</b>	<b>\$ 5,954,126</b>
	<b>2023</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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)	<u>14,336,001</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>14,835,889</b>	<b>499,888</b>	<b>-</b>	<b>-</b>
Split interest agreements and other arrangements	6,244	-	-	6,244
Beneficial interest in perpetual trusts	<u>5,340,027</u>	<u>-</u>	<u>-</u>	<u>5,340,027</u>
	<b>\$ 20,182,160</b>	<b>\$ 499,888</b>	<b>\$ -</b>	<b>\$ 5,346,271</b>

(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, 2024 and 2023.

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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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, 2024 and 2023:

	<b>2024</b>		
	<b>Total Level 3</b>	<b>Beneficial Interest in Perpetual Trusts</b>	<b>Split Interest Agreements and Other Arrangements</b>
<b>Balance June 30, 2023</b>	\$ 5,346,271	\$ 5,340,027	\$ 6,244
Distributions	(239,539)	(233,295)	(6,244)
Net realized and unrealized gain	<u>847,394</u>	<u>847,394</u>	<u>-</u>
<b>Ending balance, June 30, 2024</b>	<u>\$ 5,954,126</u>	<u>\$ 5,954,126</u>	<u>\$ -</u>
	<b>2023</b>		
	<b>Total Level 3</b>	<b>Beneficial Interest in Perpetual Trusts</b>	<b>Split Interest Agreements and Other Arrangements</b>
<b>Balance June 30, 2022</b>	\$ 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	<u>597,750</u>	<u>597,750</u>	<u>-</u>
<b>Ending Balance, June 30, 2023</b>	<u>\$ 5,346,271</u>	<u>\$ 5,340,027</u>	<u>\$ 6,244</u>

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, 2024 and 2023, there were no transfers into or out of Levels 1, 2, or 3.

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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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, 2024 and 2023:

	<b>2024</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
		<b>Purpose</b>	<b>Perpetual</b>	
Donor-restricted endowment funds	\$ -	\$ 6,150,647	\$ 4,446,823	\$ 10,597,470

  

	<b>2023</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
		<b>Purpose</b>	<b>Perpetual</b>	
Donor-restricted endowment funds	\$ -	\$ 5,474,541	\$ 7,913,380	\$ 13,387,921

Net assets with donor restrictions – perpetual includes \$5,954,126 and \$5,340,027, respectively, at June 30, 2024 and 2023, of beneficial interest in perpetual trusts which are not reflected above as a component of perpetually restricted endowment funds.

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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**NOTE E - ENDOWMENT (CONTINUED)**

**[1] Interpretation of relevant law: (continued)**

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	<b>2024</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
	<b>Restrictions</b>	<b>Purpose</b>	<b>Perpetual</b>	
Endowment net assets, at June 30, 2023	\$ -	\$ 5,474,541	\$ 7,913,380	\$ 13,387,921
Investment return:				
Investment income, net of fees	-	464,656	-	464,656
Net appreciation (realized and unrealized)	-	1,710,383	-	1,710,383
Total investment return	-	2,175,039	-	2,175,039
Contributions	-	-	495,778	495,778
Expenditure of appropriated endowment net assets <sup>1</sup>	-	(1,498,933)	(3,962,335)	(5,461,268)
Endowment net assets, at June 30, 2024	\$ -	\$ 6,150,647	\$ 4,446,823	\$ 10,597,470
	<b>2023</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
	<b>Restrictions</b>	<b>Purpose</b>	<b>Perpetual</b>	
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 <sup>1</sup>	-	(935,557)	-	(935,557)
Endowment net assets, at June 30, 2023	\$ -	\$ 5,474,541	\$ 7,913,380	\$ 13,387,921

<sup>1</sup> – 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 \$0 and \$326,408 during the year ended June 30, 2024 and June 30, 2023 respectively. During the year ended June 30, 2024, the Organization received approval by the Superior Court of New Jersey and by the Office of Attorney General to allow access to certain perpetually restricted funds principal, in its entirety, for each funds existing donor-restricted purposes.

**LEARNING ALLY, INC.**

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**Notes to Financial Statements****June 30, 2024 and 2023****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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
<b>Net Assets With Donor Perpetual Restrictions:</b>		
The portion of perpetual endowment funds that are required to be retained permanently by explicit donor stipulation	<u>\$ 4,446,823</u>	<u>\$ 7,913,380</u>
Total endowment funds classified as net assets with donor perpetual restrictions	<u>\$ 4,446,823</u>	<u>\$ 7,913,380</u>
<b>Net Assets With Donor Purpose Restrictions:</b>		
The portion of endowment funds which must be appropriated for expenditure before use:		
Without purpose restrictions (see Note H)	<u>\$ 50,953</u>	<u>\$ 1,235,845</u>
With purpose restrictions (see Note H)	<u>6,099,694</u>	<u>3,912,288</u>
	<u>6,150,647</u>	<u>5,148,133</u>
The portion of endowment funds appropriated but not yet spent:		
With purpose restrictions (see Note H)	<u>-</u>	<u>326,408</u>
Total endowment funds classified as net assets with donor purpose restrictions	<u>\$ 6,150,647</u>	<u>\$ 5,474,541</u>

**[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, 2024 and 2023 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.



**LEARNING ALLY, INC.**  
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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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 \$402,021 and \$736,566 from earnings of endowment net assets for expenditure, during fiscal year 2024 and 2023, respectively, for current and future years. Of the approved appropriation \$619,110 and \$935,557 were spent and released from endowment net assets, during fiscal years 2024 and 2023, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>Depreciable Life</u>
Construction in progress	\$ -	\$ 29,850	
Furniture	<b>243,479</b>	243,479	3 - 10 years Lesser of the remaining lease terms or the assets' useful lives
Leasehold improvements	<b>801,275</b>	771,425	
Recording and office equipment	<b><u>3,933,536</u></b>	<u>3,894,030</u>	3 - 10 years
	<b>4,978,290</b>	4,938,784	
Less: accumulated depreciation	<b><u>(3,815,725)</u></b>	<u>(3,601,943)</u>	
Property and equipment, net	<b><u>\$ 1,162,565</u></b>	<u>\$ 1,336,841</u>	

Depreciation expense was \$213,782 and \$149,139 for the years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023. In the opinion of management, there was no impairment during the years ended June 30, 2024 and 2023. 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.

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**Notes to Financial Statements****June 30, 2024 and 2023****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 \$58 per hour for the years ended June 30, 2024 and 2023, 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 \$932,333 and \$1,119,193, and donated books of \$5,115 and \$0, for the years ended June 30, 2024 and 2023, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Subject to expenditure for a specified purpose:</u>		
Blind and Visually-Impaired	\$ 120,042	\$ 135,585
Content development (audiobooks & learning solutions)	1,075,688	1,010,025
Other	<u>143,371</u>	<u>132,724</u>
	<u>1,339,101</u>	<u>1,278,334</u>
<u>Subject to Organization's spending policy and appropriation:</u>		
National Achievement Awards (scholarships)	3,561,539	3,185,259
Development, production and distribution of learning resources – nationally	964,646	637,188
Development, production and distribution of learning resources – regionally	<u>1,573,509</u>	<u>416,249</u>
With purpose restriction	6,099,694	4,238,696
General operations	<u>50,953</u>	<u>1,235,845</u>
	<u>6,150,647</u>	<u>5,474,541</u>
	7,489,748	6,752,875
Beneficial interests in split-interest agreements	-	6,244
Contributions which are unavailable for expenditure until received	<u>1,822,645</u>	<u>2,035,023</u>
	<u>\$ 9,312,393</u>	<u>\$ 8,794,142</u>

**LEARNING ALLY, INC.**  
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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
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	<u>40,000</u>	<u>1,052,719</u>
With purpose restriction	3,897,892	4,910,611
General operations	<u>548,931</u>	<u>3,002,769</u>
Endowment funds required to be retained	4,446,823	7,913,380
Beneficial interests in charitable trusts held by others	<u>5,954,126</u>	<u>5,340,027</u>
Net assets with perpetual restrictions	<u>\$ 10,400,949</u>	<u>\$ 13,253,407</u>

**[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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Satisfaction of purpose restrictions:</u>		
Content development (audiobooks & learning solutions)	\$ -	\$ 11,000
Blind and Visually-Impaired	15,543	24,086
Implementation of educational solutions in specific schools	305,532	630,897
Subsidizing of individual memberships	<u>9,846</u>	<u>106,599</u>
	<u>330,921</u>	<u>772,582</u>
<u>Earnings on donor-restricted endowments:</u>		
Expenditure of net assets appropriated by the Board <sup>1 2</sup>	<u>5,461,268</u>	<u>935,557</u>
<u>Distributions (proceeds are not restricted by donors):</u>		
Beneficial interests in split-interest agreements	<u>6,244</u>	<u>21,361</u>
<u>Expiration of time restrictions:</u>		
Payments on contributions receivables & annuities	<u>5,605,267</u>	<u>2,102,729</u>
Net assets released from donor restrictions	<u>\$ 11,403,700</u>	<u>\$ 3,832,229</u>

**LEARNING ALLY, INC.**

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**Notes to Financial Statements****June 30, 2024 and 2023****NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)****[3] Released from perpetual and purpose restricted net assets: (continued)**

- <sup>1</sup> – 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.
- <sup>2</sup> – During the year ended June 30, 2024, the Organization received approval by the Superior Court of New Jersey and by the Office of Attorney General to allow access to certain perpetually restricted funds principal, in its entirety, for each funds existing donor-restricted purposes.

**NOTE I - CONTRIBUTIONS RECEIVABLE**

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

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 1,345,000	\$ 740,000
One to five years	750,000	-
More than five years	<u>10,000</u>	<u>1,510,000</u>
	<b>2,105,000</b>	2,250,000
Less:		
Present value discount (3.09% to 4.74% in 2024 and 3.09% to 3.19% in 2023)	<u>(282,355)</u>	<u>(214,975)</u>
Contributions receivable, net	<u><b>\$ 1,822,645</b></u>	<u><b>\$ 2,035,025</b></u>

**NOTE J - GRANTS AND OTHER RECEIVABLES**

Grants and other receivables consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Government grants	\$ 1,419,365	\$ 832,448
Customer and other receivables	<u>3,009,749</u>	<u>4,418,465</u>
Grants and other receivables	<u><b>\$ 4,429,114</b></u>	<u><b>\$ 5,250,913</b></u>

**NOTE K - NOTES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE 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.

## LEARNING ALLY, INC.

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### Notes to Financial Statements June 30, 2024 and 2023

#### NOTE K - NOTES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE NOTES RECEIVABLE (CONTINUED)

An allowance was established for approximately \$1.1 million as of June 30, 2023 and an additional allowance of \$1.1 million was established as of June 30, 2024, totaling a \$2.2 million allowance, 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 \$152,237 and \$134,515, respectively, for the years ended June 30, 2024 and 2023 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.

In February 2022, 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. Rent expense recorded for all facilities amounted to \$378,845 and \$374,879 for the years ended June 30, 2024 and 2023, respectively.

As of June 30, 2024 and 2023, the weighted average remaining lease term (in years) is 8 and 9 respectively, and the weighted average discount rate used to calculate the present value of the lease payments is 2.88%.

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 347,791
2026	359,963
2027	372,562
2028	385,602
2029-2032	<u>1,494,096</u>
	2,960,014
Less: amount representing interest	<u>(309,930)</u>
Present value of lease obligations	<u>\$ 2,650,084</u>

**LEARNING ALLY, INC.**  
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**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**NOTE M - LEASES AND COMMITMENTS (CONTINUED)**

The Organization is obligated under several service contracts that expire at various dates through 2029. The approximate future minimum annual payments due under noncancelable service contracts are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 753,660
2026	54,474
2027	34,685
2028	7,500
2029	<u>1,875</u>
	<u>\$ 852,194</u>

**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, 2024 and 2023, without donor restrictions was approximately \$5.9 million and \$1.5 million, respectively. The Organization's total investment balance at June 30, 2024 and 2023 was approximately \$16.5 million and \$14.8 million, respectively, of which \$4.4 million and \$7.9 million is permanently restricted by donors, \$6.2 million and \$5.4 million is available upon the Organization's Board appropriating funds, and \$5.9 million and \$1.5 million, respectively, is without donor restrictions.

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**Notes to Financial Statements****June 30, 2024 and 2023****NOTE O - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

As of June 30, 2024 and 2023, 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 1.57 to 1 and .7 to 1, respectively. In addition, if needed, \$6.2 and \$5.4 million, respectively, 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, 2024 and 2023.

Financial assets available for general expenditures within one year of the statements of financial position as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	<b>\$ 4,819,639</b>	\$ 1,536,414
Grants and other receivables expected to be collected that are not restricted	<b>2,918,856</b>	3,218,424
Notes receivable	<b>2,235,514</b>	3,367,757
Contribution receivables expected to be collected that are not restricted	<b>1,095,000</b>	490,000
Investments without donor restrictions	<b><u>5,912,809</u></b>	<u>1,447,968</u>
Total	<b><u>\$ 16,981,818</u></b>	<b><u>\$ 10,060,563</u></b>