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

FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

LEARNING ALLY, INC.
(A 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

We have audited the accompanying financial statements of Learning Ally, Inc. the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

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, 2021 and 2020, 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.

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
November 11, 2021

EISNERAMPER LLP

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

Statements of Financial Position

	June 30, 2021	June 30, 2020
ASSETS		
Cash and cash equivalents	**$ 1,733,691**	$ 1,712,783
Grants and other receivables	**4,170,385**	2,976,713
Contributions receivable, net	**1,600,622**	1,816,914
Investments	**22,431,895**	17,645,612
Prepaid expenses and other assets	**623,574**	552,875
Split-interest agreements and other arrangements	**59,800**	104,501
Beneficial interest in perpetual trusts	**5,866,530**	4,651,047
Property and equipment, net	**2,382,941**	2,513,862
Total assets	**$ 38,869,438**	$ 31,974,307
LIABILITIES		
Accounts payable and accrued expenses	**$ 2,076,901**	$ 1,631,704
Deferred revenue	**7,467,542**	5,646,313
Paycheck Protection Program loan payable	**-**	2,082,100
Obligations under capital lease	**-**	11,115
Total liabilities	**9,544,443**	9,371,232
Commitments (see Note L)		
NET ASSETS		
Without donor restrictions	**5,315,897**	1,736,085
With donor restrictions:		
Purpose restrictions	**10,229,188**	7,919,406
Perpetual restrictions	**13,779,910**	12,947,584
	24,009,098	20,866,990
Total net assets	**29,324,995**	22,603,075
Total liabilities and net assets	**$ 38,869,438**	$ 31,974,307

LEARNING ALLY, INC.
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Statement of Activities
Year Ended June 31, 2021

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual	Total
Operating revenue and other support:				
Contributions, private grants and legacies	$ 3,073,003	$ 1,617,281	$ -	$ 4,690,284
Donated services, goods and rent	2,900,844	-	-	2,900,844
Membership fees and services, net				
New schools	2,701,395	-	-	2,701,395
School renewals	4,514,795	-	-	4,514,795
Direct to consumer	2,594,941	-	-	2,594,941
Conferences	560,295	-	-	560,295
Government grants and contracts (see Note B[3])	4,630,385	-	-	4,630,385
Interest and dividends, net	187,832	221,375	-	409,207
Other revenue	252,213	-	-	252,213
	21,415,703	1,838,656	-	23,254,359
Net assets released from restrictions pursuing to an appropriation of an endowment net assets (see Note H)	1,224,936	(838,070)	(386,866)	-
Net assets released from restrictions-other	2,639,599	(2,639,599)	-	-
Total operating revenue and other support	25,280,238	(1,639,013)	(386,866)	23,254,359
Operating expenses:				
Program services:				
Educational solutions	7,999,954	-	-	7,999,954
Services coordination	13,179,505	-	-	13,179,505
Total program services	21,179,459	-	-	21,179,459
Supporting services:				
Administration	3,952,644	-	-	3,952,644
Fundraising	1,406,536	-	-	1,406,536
Total supporting services	5,359,180	-	-	5,359,180
Total operating expenses	26,538,639	-	-	26,538,639
Deficiency of operating revenue and other support over operating expenses before nonoperating activities	(1,258,401)	(1,639,013)	(386,866)	(3,284,280)

LEARNING ALLY, INC.
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Statement of Activities (continued)
Year Ended June 31, 2021

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Deficiency of operating revenue and other support over operating expenses before nonoperating activities	**$ (1,258,401)**	**$ (1,639,013)**	**$ (386,866)**	**$ (3,284,280)**
Non-operating activities:				
Gain on disposal of equipment	**10,000**	**-**	**-**	**10,000**
Settlement of lawsuit	**1,500,000**	**-**	**-**	**1,500,000**
Gain on forgiveness of Paycheck Protection Program loan payable	**2,082,100**			**2,082,100**
Net unrealized and realized gains on investments and perpetual trusts	**1,246,113**	**3,916,468**	**1,219,192**	**6,381,773**
Change in value of split-interest agreements	**-**	**32,327**	**-**	**32,327**
Total non-operating activities	**4,838,213**	**3,948,795**	**1,219,192**	**10,006,200**
Change in net assets	**3,579,812**	**2,309,782**	**832,326**	**6,721,920**
Net assets, beginning of the year	**1,736,085**	**7,919,406**	**12,947,584**	**22,603,075**
Net assets, end of year	**$ 5,315,897**	**$ 10,229,188**	**$ 13,779,910**	**$ 29,324,995**

LEARNING ALLY, INC.
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Statement of Activities (continued)
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual	Total
Operating revenue and other support:				
Contributions, private grants and legacies	$ 1,957,864	$ 1,510,453	$ -	$ 3,468,317
Donated services, goods and rent	5,499,604	-	-	5,499,604
Membership fees and services, net				
New schools	2,209,467	-	-	2,209,467
School renewals	3,786,979	-	-	3,786,979
Direct to consumer	2,688,623	-	-	2,688,623
Conferences	433,611	-	-	433,611
Government grants and contracts (see Note B[3])	4,510,687	-	-	4,510,687
Interest and dividends, net	207,515	(2,852)	-	204,663
Other revenue	95,057	-	-	95,057
	21,389,407	1,507,601	-	22,897,008
Net assets released from restrictions pursuing to an appropriation of an endowment net assets	2,071,900	(2,071,900)	-	-
Net assets released from restrictions-other	1,976,122	(1,976,122)	-	-
Total operating revenue and other support	25,437,429	(2,540,421)	-	22,897,008
Operating expenses:				
Program services:				
Educational solutions	10,472,283	-	-	10,472,283
Services coordination	10,971,112	-	-	10,971,112
Total program services	21,443,395	-	-	21,443,395
Supporting services:				
Administration	3,334,820	-	-	3,334,820
Fundraising	1,374,317	-	-	1,374,317
Total supporting services	4,709,137	-	-	4,709,137
Total operating expenses	26,152,532	-	-	26,152,532
Deficiency of operating revenue and other support over operating expenses before nonoperating activities	(715,103)	(2,540,421)	-	(3,255,524)

LEARNING ALLY, INC.
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Statement of Activities (continued)
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Deficiency of operating revenue and other support over operating expenses before nonoperating activities	$ (715,103)	$ (2,540,421)	$ -	$ (3,255,524)
Non-operating activities:				
Net unrealized and realized gains on investments and perpetual trusts	91,388	851,863	53,426	996,677
Change in value of split-interest agreements	-	(9,893)	-	(9,893)
Change in net assets	(623,715)	(1,698,451)	53,426	(2,268,740)
Net assets, beginning of the year	2,359,800	9,617,857	12,894,158	24,871,815
Net assets, end of year	$ 1,736,085	$ 7,919,406	$ 12,947,584	$ 22,603,075

LEARNING ALLY, INC.
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Statements of Functional Expenses
Year Ended June 31, 2021

	Program Services			Supporting Services		
	Educational Solutions	**Services Coordination**	**Total Program Services**	**Administration**	**Fundraising**	**Total**
Salaries	$ 3,210,869	$ 8,519,392	$ 11,730,261	$ 1,795,360	$ 764,663	$ 14,290,284
Employee benefits	784,676	1,697,312	2,481,988	362,213	126,694	2,970,895
Total employee compensation	3,995,545	10,216,704	14,212,249	2,157,573	891,357	17,261,179
Volunteer services	2,879,714	-	2,879,714	-	-	2,879,714
Professional fees	95,289	1,655,314	1,750,603	628,463	437,080	2,816,146
Data processing	80,085	394,077	474,162	442,649	11,996	928,807
Maintenance and repairs	125,122	210	125,332	295,141	-	420,473
Marketing	973	311,489	312,462	336	622	313,420
Staff recruitment and training	105,443	284,865	390,308	102,069	30,193	522,570
Rent and utilities	271,769	-	271,769	-	-	271,769
Production supplies	194,865	-	194,865	-	-	194,865
Books and publications	17,688	44,962	62,650	58,928	21,331	142,909
Telephone	23,314	329	23,643	110,003	-	133,646
Travel and conferences	1,181	75,773	76,954	28,921	2,602	108,477
Awards and grants	-	99,000	99,000	-	-	99,000
Other	4,303	28,166	32,469	32,399	-	64,868
Office supplies	16,612	11,264	27,876	9,415	1,604	38,895
Postage and packaging	8,031	4,263	12,294	1,160	9,235	22,689
Interest	-	-	-	6,265	-	6,265
Expenses before depreciation	7,819,934	13,126,416	20,946,350	3,873,322	1,406,020	26,225,692
Depreciation	180,020	53,089	233,109	79,322	516	312,947
Total expenses	$ 7,999,954	$ 13,179,505	$ 21,179,459	$ 3,952,644	$ 1,406,536	$ 26,538,639

See notes to financial statements

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

Statements of Functional Expenses (continued)
Year Ended June 31, 2020

	Program Services			Supporting Services		
	Educational Solutions	Services Coordination	Total Program Services	Administration	Fundraising	Total
Salaries	$ 2,936,740	$ 7,211,149	$ 10,17,889	$ 1,540,430	$ 802,309	$ 12,490,628
Employee benefits	707,374	1,360,209	2,067,583	291,440	124,728	2,483,751
Total employee compensation	3,644,114	8,571,358	12,215,472	1,831,870	927,037	14,974,379
Volunteer services	5,427,203	-	5,427,203	-	-	5,427,203
Professional fees	116,550	1,162,433	1,278,983	380,919	399,413	2,059,315
Data processing	66,198	233,982	300,180	365,920	14,114	680,214
Rent and utilities	496,170	531	496,701	-	-	496,701
Travel and conferences	22,271	302,986	325,257	49,033	10,033	384,323
Maintenance and repairs	175,413	892	176,305	142,515	-	318,820
Staff recruitment and training	36,448	151,105	187,553	129,280	-	316,833
Marketing	1,018	257,405	258,423	674	729	259,826
Production supplies	206,292	-	206,292	-	-	206,292
Telephone	31,489	1,590	33,079	118,897	289	152,265
Other	6,385	10,765	17,150	74,779	-	91,929
Books and publications	29,492	28,596	58,088	16,291	16,389	90,768
Bad debts	-	-	-	84,504	-	84,504
Awards and grants	-	81,000	81,000	-	-	81,000
Office supplies	23,342	6,054	29,396	9,877	1,447	40,720
Postage and packaging	8,397	12,126	20,523	2,186	4,350	27,059
Interest	-	-	-	4,461	-	4,461
Expenses before depreciation	10,290,782	10,820,823	21,111,605	3,211,206	1,373,801	25,696,612
Depreciation	181,501	150,289	331,790	123,614	516	455,920
Total expenses	$ 10,472,283	$ 10,971,112	$ 21,443,395	$ 3,334,820	$ 1,374,317	$ 26,152,532

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

Statements of Cash Flows

	Year Ended June 30, 2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 6,721,920**	$ (2,268,740)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**312,947**	455,920
Change in discount and allowance related to contributions receivable	**(28,586)**	38,221
Net gain on disposition of property and equipment	**(10,000)**	-
Net unrealized and realized (gains) on investments and perpetual trusts	**(6,381,773)**	(996,677)
Donated securities	**(158,157)**	(23,883)
Proceeds from sale of donated securities	**151,716**	43,648
Gain on forgiveness of Paycheck Protection Program loan payable	**(2,082,100)**	-
Change in assets and liabilities:		
Grants and other receivables	**(1,193,672)**	(1,729,916)
Contributions receivable	**244,878**	530,245
Prepaid expenses and other assets	**(70,699)**	(673)
Split-interest agreements and other arrangements	**44,701**	93,280
Accounts payable and accrued expenses	**445,197**	(379,975)
Deferred revenue	**1,821,229**	1,626,412
Net cash used in operating activities	**(182,399)**	(2,612,138)
Cash flows from investing activities:		
Purchases of investments	**(353,127)**	(62,899)
Proceeds from sales of investments	**740,889**	1,566,231
Purchase of property and equipment	**(183,340)**	(83,367)
Proceeds from disposition of property and equipment	**10,000**	-
Net cash provided by in investing activities	**214,422**	1,419,965
Cash flows from financing activities:		
Principal payments on capital lease	**(11,115)**	(64,896)
Proceeds from Paycheck Protection Program loan payable	**-**	2,082,100
Net cash (used in) provided by financing activities	**(11,115)**	2,017,204
Net increase in cash and cash equivalents	**20,908**	825,031
Cash and cash equivalents, beginning of year	**1,712,783**	887,752
Cash and cash equivalents, end of year	**$ 1,733,691**	$ 1,712,783
Supplemental disclosure of cash flow information:		
Interest paid	**$ 6,265**	$ 4,461

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 1.6 million students and 260,000 educators across the U.S. The Organization's educational services include The Learning Ally Audiobook Solution, which is our cornerstone award-winning reading accommodation available in 19,500 schools to help students with reading deficits succeed. Composed of high quality, human-read audiobooks and a suite of teacher resources to monitor and support student progress, it is designed to turn struggling readers into engaged learners. Learning Ally's services coordination program is 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] Adoption of new accounting pronouncement:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 and the related amendments on July 1, 2020. The adoption of these standards had no material impact on total beginning net assets, but resulted in additional disclosures.

[2] 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:

<u>Net assets with donor restrictions: Perpetual restrictions</u> - 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.

<u>Net assets with donor restrictions: Purpose restrictions</u> - 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.

<u>Net assets without donor restrictions</u> - 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)

[2] 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.

[3] 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, 2021 and 2020, the Organization does not have a refundable advance.

[4] 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 service revenue from conferences. 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. Service revenue from conferences 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 $1,816,509 and $1,833,694 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 revenue based upon the transfer of control to the customer is as follows:

	2021	**2020**
Revenue recognized at a point in time	**$ 560,295**	$ 433,611
Revenue recognized over time		
New schools	**2,701,395**	2,209,467
School renewals	**4,514,795**	3,786,979
Direct to consumer	**2,594,941**	2,688,623
Total membership fees and services revenue	**$ 10,371,426**	$ 9,118,680

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] 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, 2021 and 2020.

[6] 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.

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 rates range from 5.38% to 5.77% and 3.16% to 5.77% as of June 30, 2021 and 2020, respectively) 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Release of restrictions on net assets held for acquisition of property and equipment:

Contributions of property and equipment without donor-imposed stipulations concerning the use of such long-lived assets are reported as revenues in net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment, pursuant to donor-imposed restrictions, are reported as revenues in net assets with donor restrictions – purpose restricted; the restrictions are considered satisfied at the time such acquired long-lived assets are placed in service.

[8] 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.

[9] 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.

[10] Paycheck Protection Program loan payable:

During the year ended June 30, 2021, the Organization elected to record the Paycheck Protection Program loan ("PPP loan") as a loan payable. Loan forgiveness was recognized once the conditions for loan forgiveness were met and the forgiveness amount is formally approved by the bank and the U.S. Small Business Administration ("SBA"). (See Note K.)

[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 property and equipment, (2) settlement of lawsuit, (3) gain on forgiveness of Paycheck Protection Program loan payable, (4) net unrealized and realized gains on investments and perpetual trusts, and (5) changes in value of split-interest agreements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[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, 2021 and 2020, 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, 2021 and 2020.

[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] Upcoming accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize all leases (with terms more than 12 months) at the commencement date, the following: i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified lease term. The new lease guidance also simplifies the accounting for sale and leaseback transactions. Lessees will no longer be provided with a source of off-balance sheet financing. For nonpublic business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 with early adoption permitted.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Under the new standard's requirements, gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash or other financial assets, on the statement of activities. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after December 15, 2021. The ASU does allow for early adoption.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] Subsequent events:

The Organization evaluated subsequent events through November 11, 2021, 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, 2021 and 2020, 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, 2021 and 2020 consisted of the following:

	2021	2020
Money market funds	**$ 79,921**	$ 53,698
Mutual funds	**240,094**	276,623
U.S. corporate stocks	**246,576**	240,022
Fund of funds	**21,865,304**	17,075,269
	$ 22,431,895	$ 17,645,612

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.

NOTE D - FAIR VALUE HIERARCHY (CONTINUED)

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.

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	**$ 79,921**	**$ 79,921**	**$ -**	**$ -**
Mutual funds	**240,094**	**240,094**	**-**	**-**
U.S. corporate stocks	**246,576**	**246,576**	**-**	**-**
Fund of funds measured at NAV (A)	**21,865,304**	**-**	**-**	**-**
	22,431,895	**566,591**	**-**	**-**
Split interest agreements and other arrangements	**59,800**	**-**	**-**	**59,800**
Beneficial interest in perpetual trusts	**5,866,530**	**-**	**-**	**5,866,530**
	$ 28,358,225	**$ 566,591**	**$ -**	**$ 5,926,330**

	2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 53,698	$ 53,698	$ -	$ -
Mutual funds	276,623	276,623	-	-
U.S. corporate stocks	240,022	240,022	-	-
Fund of funds measured at NAV (A)	17,075,269	-	-	-
	17,645,612	570,343	-	-
Split interest agreements and other arrangements	104,501	-	-	104,501
Beneficial interest in perpetual trusts	4,651,047	-	-	4,651,047
	$ 22,401,160	$ 570,343	$ -	$ 4,755,548

(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, 2021 and 2020.

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, 2021 and 2020:

	2021		
	Total Level 3	**Beneficial Interest in Perpetual Trusts**	**Split Interest Agreements and Other Arrangements**
Balance June 30, 2020	**$ 4,755,548**	**$ 4,651,047**	**$ 104,501**
Distributions	**(294,942)**	**(217,914)**	**(77,028)**
Change in value of split interest agreements and other arrangements	**32,327**	**-**	**32,327**
Net realized and unrealized gain	**1,433,397**	**1,433,397**	**-**
Ending balance, June 30, 2021	**$ 5,926,330**	**$ 5,866,530**	**$ 59,800**

	2020		
	Total Level 3	**Beneficial Interest in Perpetual Trusts**	**Split Interest Agreements and Other Arrangements**
Balance June 30, 2019	$ 4,796,197	$ 4,598,416	$ 197,781
Distributions	(285,461)	(202,074)	(83,387)
Change in value of split interest agreements and other arrangements	(9,893)	-	(9,893)
Net realized and unrealized gain	254,705	254,705	-
Ending balance, June 30, 2020	$ 4,755,548	$ 4,651,047	$ 104,501

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, 2021 and 2020, 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, 2021 and 2020:

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Donor-restricted endowment funds	**$ -**	**$ 7,936,994**	**$ 7,913,380**	**$ 15,850,374**

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual	
Donor-restricted endowment funds	$ -	$ 4,741,804	$ 8,296,537	$ 13,038,341

Net assets with donor restrictions - perpetual includes $5,866,530 and $4,651,047, respectively, at June 30, 2021 and 2020, of 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, 2021 and 2020 are as follows:

	2021			
	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual	Total
Endowment net assets, at June 30, 2020	$ -	$ 4,741,804	$ 8,296,537	$ 13,038,341
Investment return:				
Investment loss, net of fees	-	139,839	133	139,972
Net appreciation (realized and unrealized)	-	3,893,421	3,577	3,896,998
Total investment return	-	4,033,260	3,710	4,036,970
Expenditure of appropriated endowment net assets[1]	-	(838,070)	(386,867)	(1,224,937)
Endowment net assets, at June 30, 2021	$ -	$ 7,936,994	$ 7,913,380	$ 15,850,374

[1] – Net assets appropriated by the Board totaled $2,440,347 during the year ended June 30, 2021, of which $1,215,411 was not yet spent and is not reflected above as a component of expenditure of appropriated endowment net assets. During the year ended June 30, 2021, the Organization reviewed all perpetual funds and determined certain significantly older funds previously determined to be perpetually restricted were not required to be restricted and have been expended from endowment net assets.

	2020			
	Without Donor Restrictions	With Donor Restrictions Purpose	With Donor Restrictions Perpetual	Total
Endowment net assets, at June 30, 2019	$ -	$ 5,976,342	$ 8,295,742	$ 14,272,084
Investment return:				
Investment income, net of fees		(6,348)	(5)	(6,353)
Net appreciation (realized and unrealized)	-	843,710	800	844,510
Total investment return	-	837,362	795	838,157
Appropriation of endowment net assets for expenditures	-	(2,071,900)	-	(2,071,900)
Endowment net assets, at June 30, 2020	$ -	$ 4,741,804	$ 8,296,537	$ 13,038,341

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, 2021 and 2020 are as follows:

	2021	2020
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**	$ 8,296,537
Total endowment funds classified as net assets with donor perpetual restrictions	**$ 7,913,380**	$ 8,296,537
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)	**$ 1,593,688**	$ 480,176
With purpose restrictions (see Note H)	**5,127,895**	4,261,628
	6,721,583	4,741,804
The portion of endowment funds appropriated but not yet spent:		
With purpose restrictions (see Note H)	**1,215,411**	-
Total endowment funds classified as net assets with donor purpose restrictions	**$ 7,936,994**	$ 4,741,804

[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 31, 2021, there were no funds with deficiencies. For the year ended June 30, 2020, funds with deficiencies had an original gift value of $25,000, fair value of $12,753, and deficiencies of $12,247 as of June 30, 2020. These deficiencies resulted primarily from unfavorable market fluctuations.

[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 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 $2,440,347 and $2,071,900 from earnings of endowment net assets for expenditure, during fiscal years 2021 and 2020, respectively. Of the approved appropriation, $1,224,937 and $2,071,900 was spent and released from endowment net assets, during fiscal years 2021 and 2020, 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, 2021 and 2020:

	2021	2020	Depreciable Life
Land	**$ 856,510**	$ 856,510	
Construction in progress	**135,175**	-	
Buildings and improvements	**6,890,453**	6,890,453	10 - 40 years
Recording and office equipment	**13,660,432**	13,634,628	3 - 10 years
	21,542,570	21,381,591	
Less: accumulated depreciation	**(19,159,629)**	(18,867,729)	
Property and equipment, net	**$ 2,382,941**	$ 2,513,862	

Depreciation expense was $312,947 and $455,920 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020. In the opinion of management, there was no impairment during the years ended June 30, 2021 and 2020. 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. 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 $48 and $81 per hour for the years ended June 30, 2021 and 2020, 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 $ 2,879,714 and $5,427,203, and donated books and in-kind donations of $880 and $11,651, for the years ended June 30, 2021 and 2020, respectively.

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

The Organization also received the right to use office space in various locations, pursuant to executed lease agreements, at a cost that is below fair value for terms ranging from ten to forty years. The Organization also received the right to use other donated office space on an annual renewable basis at amounts less than fair value during the years ended June 30, 2021 and 2020. The contributed rent recognized for all donated office space was $20,250 and $60,750 for the years ended June 30, 2021 and 2020, respectively, and was recognized as revenue and expense on the statements of activities.

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, 2021 and 2020:

	2021	2020
Subject to expenditure for a specified purpose:		
Blind and Visually-Impaired	**$ 365,057**	$ 633,048
Content development (audiobooks & learning solutions)	**121,290**	444,317
Other	**145,425**	178,822
	631,772	1,256,187
Subject to Organization's spending policy and appropriation:		
National Achievement Awards (scholarships)	**3,573,080**	2,608,146
Development, production and distribution of learning resources – nationally	**829,490**	409,967
Development, production and distribution of learning resources – regionally	**1,940,736**	1,243,515
With purpose restriction	**6,343,306**	4,261,628
General operations	**1,593,688**	480,176
	7,936,994	4,741,804
	8,568,766	5,997,991
Subject to the passage of time:		
Beneficial interests in split-interest agreements	**59,800**	104,501
Contributions which are unavailable for expenditure until received	**1,600,622**	1,816,914
	$ 10,229,188	$ 7,919,406

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, 2021 and 2020:

	2021	2020
National Achievement Awards (scholarships)	$ 2,390,601	$ 2,390,601
Development, production and distribution of learning resources – nationally	1,467,291	1,850,448
Development, production and distribution of learning resources – regionally	1,052,719	1,052,719
With purpose restriction	4,910,611	5,293,768
General operations	3,002,769	3,002,769
Endowment funds required to be retained	7,913,380	8,296,537
Beneficial interests in charitable trusts held by others	5,866,530	4,651,047
Net assets with perpetual restrictions	$ 13,779,910	$ 12,947,584

[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, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions:		
Content development (audiobooks & learning solutions)	$ 930,532	$ 829,339
Blind and Visually-Impaired	632,472	416,267
Implementation of educational solutions in specific schools	131,099	121,858
Subsidizing of individual memberships	22,096	8,952
	1,716,199	1,376,416
Earnings on donor-restricted endowments:		
Expenditure of net assets appropriated by the Board[1,2]	1,224,936	2,071,900
Distributions (proceeds are not restricted by donors):		
Beneficial interests in split-interest agreements	77,028	83,387
Expiration of time restrictions:		
Payments on contributions receivables & annuities	846,372	516,319
Net assets released from donor restrictions	$ 3,864,535	$ 4,048,022

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

[1] – Net assets appropriated by the Board but not spent during the year ended June 30, 2021 were $1,215,411, which are not reflected above as a component of appropriation of endowment net assets for expenditures.

[2] – During the year ended June 30, 2021, the Organization reviewed all perpetual funds and determined certain significantly older funds previously determined to be perpetually restricted were not required to be restricted and have been expended from endowment net assets.

NOTE I - CONTRIBUTIONS RECEIVABLE

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

	2021	2020
Less than one year	**$ 282,592**	$ 527,470
One to five years	**-**	-
More than five years	**1,510,000**	1,510,000
	1,792,592	2,037,470
Less:		
Allowance for uncollectible promises	**(30,122)**	(17,726)
Present value discount (3.09% to 3.19% in 2021 and 3.09% to 5.60% in 2020)	**(161,848)**	(202,830)
Contributions receivable, net	**$ 1,600,622**	$ 1,816,914

NOTE J - 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 $320,737 and $80,598, respectively, for the years ended June 30, 2021 and 2020 be made.

NOTE K - PAYMENT PROTECTION PROGRAM (PPP) LOAN PAYABLE

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). One component of that Act was PPP under the auspices of the SBA. On April 16, 2020, the Organization received a $2,082,100 PPP loan. Neither principle nor interest was due through June 18, 2021, as determined by the SBA and the bank. On June 18, 2021, the entire loan was forgiven by the SBA and is recorded as gain on forgiveness of Paycheck Protection Program loan payable on the statement of activities.

NOTE L - COMMITMENTS AND CONTINGENCIES

[1] Commitments:

The Organization is obligated under several service contracts and operating leases for equipment that expire at various dates through 2026. The approximate future minimum annual payments due under noncancelable service contracts and operating leases are as follows:

Year Ending June 30,	Amount
2022	$ 665,000
2023	8,000
2024	8,000
2025	6,000
2026	5,000
Total	$ 692,000

The estimated sum of rental payments to be made over the life of all operating office leases is being allocated on a straight-line basis over the entire lease period and is recognized as periodic rent expense. Total rent expense for all operating office leases, inclusive of amounts for donated space, approximated $20,000 and $189,000 for the years ended June 30, 2021 and 2020, respectively.

[2] Litigation:

The Organization is a party to litigation and other claims in the ordinary course of business. During the year ended June 30, 2021, the Organization settled a lawsuit and received proceeds of $1,500,000. In the opinion of management, besides the aforementioned lawsuit settlement, 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.

[3] Coronavirus:

The extent of the impact of the coronavirus ("COVID-19") outbreak on the financial performance of the Organization will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. However, in response to COVID-19, the Organization has adjusted its operations to continue to serve its customers. Overall, the Organization has managed adverse effects and will continue to monitor the potential impact in the future.

NOTE M - GRANTS AND OTHER RECEIVABLES

Grants and other receivables consisted of the following at June 30, 2021 and 2020:

	2021	2020
Government grants	**$ 833,025**	$ 516,362
Customer and other receivables	**3,337,360**	2,460,351
Grants and other receivables	**$ 4,170,385**	$ 2,976,713

NOTE N - 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, 2021 and 2020, without donor restrictions was approximately $6.4 million and $4.4 million, respectively. The Organization's total investment balance at June 30, 2021 and 2020 was approximately $22.4 million and $17.6 million, respectively, of which $7.9 million and $8.3 million is permanently restricted by donors, $7.9 million and $4.7 million is available upon the Organization's Board appropriating funds and $6.4 million and $4.4 million, respectively, is without donor restrictions.

As of June 30, 2021 and 2020, the Organization's cash and cash equivalents plus the component of its investments without donor restrictions relative to its payables and current obligations, including capital lease, commitments through 2026 and Paycheck Protection Program loan (PPP loan) in 2020 but excluding deferred revenue, was 2.94 to 1 and 1.29 to 1, respectively. Excluding PPP loan, the June 31, 2020 ratio was 2.25 to 1. In addition, if needed, $7.9 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, 2021.

Financial assets available for general expenditures within one year of the statements of financial position as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	**$ 1,733,691**	$ 1,712,783
Grants and other receivables expected to be collected that are not restricted	**2,493,497**	1,760,842
Contribution receivables expected to be collected that are not restricted	**252,470**	494,744
Investments without donor restrictions	**6,416,865**	4,402,701
Total	**$ 10,896,523**	$ 8,371,070