

LEARNING CLUB OF KCK

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2023

LEARNING CLUB OF KCK
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For the Year Ended December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Learning Club of KCK
Kansas City, KS

Opinion

We have audited the accompanying financial statements of **Learning Club of KCK** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, changes in net assets, and cash flows (collectively, "the financial statements") for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Learning Club of KCK** as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 **Learning Club of KCK** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 **Learning Club of KCK's** ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

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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 generally accepted auditing standards, 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 **Learning Club of KCK'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 **Learning Club of KCK'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.



ADAMSBROWN, LLC
Certified Public Accountants
Overland Park, Kansas

June 10, 2024

LEARNING CLUB OF KCK
Statement of Financial Position
December 31, 2023

ASSETS

Current Assets

| | | |
|-------------------------|----|--------------|
| Cash | \$ | 618,426 |
| Certificates of Deposit | | 325,109 |
| Investments | | 1,194,163 |
| Prepaid Expenses | | <u>1,415</u> |

Total Current Assets

2,139,113

Property and Equipment

| | | |
|--------------------------|--|-----------------|
| Equipment | | 22,900 |
| Accumulated Depreciation | | <u>(22,900)</u> |

Net Property and Equipment

-

Total Assets

\$ 2,139,113

LIABILITIES AND NET ASSETS

Current Liabilities

| | | |
|---------------------|----|--------|
| Accrued Liabilities | \$ | 31,193 |
|---------------------|----|--------|

Net Assets

| | | |
|----------------------------|--|------------------|
| Without Donor Restrictions | | <u>2,107,920</u> |
|----------------------------|--|------------------|

Total Liabilities and Net Assets

\$ 2,139,113

The accompanying notes are an integral part of the financial statements.

LEARNING CLUB OF KCK
Statement of Activities
For the Year Ended December 31, 2023

| | | <u>Without Donor Restrictions</u> |
|---------------------------------------|----|---|
| Revenues and Gains | | |
| Contributions | \$ | 886,303 |
| Grants | | 81,200 |
| Net Investment Return | | <u>167,706</u> |
| Total Revenues and Gains | | <u>1,135,209</u> |
| Expenses | | |
| Program Services | | <u>669,630</u> |
| Support Services | | |
| Management and General | | 220,045 |
| Fundraising | | <u>58,841</u> |
| Total Support Services | | <u>278,886</u> |
| Total Expenses | | <u>948,516</u> |
| Change in Net Assets | | 186,693 |
| Net Assets - Beginning of Year | | <u>1,921,227</u> |
| Net Assets - End of Year | \$ | <u><u>2,107,920</u></u> |

The accompanying notes are an integral part of the financial statements.

LEARNING CLUB OF KCK
Statement of Functional Expenses
For the Year Ended December 31, 2023

| | Program Services | Support Services | | Total |
|--|---------------------|---------------------------|---------------|----------------|
| | | Management and General | Fundraising | |
| Salaries and Related Expenses | | | | |
| Salaries and Wages | \$ 466,690 | 139,080 | 48,745 | 654,515 |
| Payroll Taxes | 40,501 | 12,070 | 4,230 | 56,801 |
| Benefits | 42,394 | 20,733 | 4,428 | 67,555 |
| Total Salaries and Related Expenses | 549,585 | 171,883 | 57,403 | 778,871 |
| Other Expenses | | | | |
| Program Supplies and Services | 95,159 | - | - | 95,159 |
| Rent | - | 14,300 | - | 14,300 |
| Utilities | - | 10,750 | - | 10,750 |
| Telephone | - | 5,316 | - | 5,316 |
| Insurance | 7,787 | 4,116 | 203 | 12,106 |
| Postage and Shipping | - | 537 | - | 537 |
| Office Supplies and Other Supplies | 2,471 | 6,367 | - | 8,838 |
| Software Support and Expense | - | 616 | - | 616 |
| Board Expenses | 2,485 | - | - | 2,485 |
| Professional Services and Accounting | 3,260 | 1,800 | 340 | 5,400 |
| Advertising | 6,499 | 4,202 | 895 | 11,596 |
| Miscellaneous | 94 | 158 | - | 252 |
| Depreciation | 2,290 | - | - | 2,290 |
| Total Other Expenses | 120,045 | 48,162 | 1,438 | 169,645 |
| Total Expenses | \$ 669,630 | 220,045 | 58,841 | 948,516 |

The accompanying notes are an integral part of the financial statements.

LEARNING CLUB OF KCK
Statement of Changes in Net Assets
For the Year Ended December 31, 2023

| | Without Donor Restrictions |
|--------------------------------------|---|
| Net Assets, December 31, 2022 | \$ <u>1,921,227</u> |
| Change in Net Assets | <u>186,693</u> |
| Net Assets, December 31, 2023 | \$ <u><u>2,107,920</u></u> |

The accompanying notes are an integral part of the financial statements.

LEARNING CLUB OF KCK
Statement of Cash Flows
For the Year Ended December 31, 2023

| | |
|---|-------------------|
| Cash Flows From Operating Activities | |
| Change in Net Assets | \$ 186,693 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | |
| Depreciation | 2,290 |
| Net Gain on Investments | (145,761) |
| (Increase) Decrease in Accounts Receivable | 58,536 |
| Prepaid Expenses | (1,415) |
| Increase (Decrease) in Accrued Liabilities | 1,506 |
| | 1,506 |
| Net Cash Provided by Operating Activities | 101,849 |
| Cash Flows From Investing Activities | |
| Sale of Investments | 217,220 |
| Purchase of Investments | (333,130) |
| | (115,910) |
| Net Cash Used in Investing Activities | (115,910) |
| Net Decrease in Cash | (14,061) |
| Cash - Beginning of Year | 632,487 |
| Cash - End of Year | \$ 618,426 |

The accompanying notes are an integral part of the financial statements.

LEARNING CLUB OF KCK
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Learning Club of KCK (the Organization) was incorporated as a nonprofit organization to provide academic tutoring and enrichment programs for low income children who live in the urban core of Kansas City. The Organization's programs operate after-school, in-school, and during the summer and are offered in Kansas City, Kansas.

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred. The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets that are contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There are no net assets with donor restrictions as of December 31, 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash

For purposes of the statement of cash flows, cash consists of checking accounts and cash balances held in investment accounts.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss is included in the increase in unrestricted net assets unless the income or loss is restricted by donor or law.

Property, Equipment and Depreciation

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations regarding how long these donated assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service. Property and equipment are depreciated using the straight-line method over estimated useful lives of 5 years. Depreciation expense for 2023 was \$2,290.

LEARNING CLUB OF KCK
Notes to Financial Statements
For the Year Ended December 31, 2023

Donor Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, donor restricted net assets are reclassified as without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as without donor restrictions contributions in the accompanying financial statements.

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Directly identifiable expenses are charged to the applicable program, management and general, or fundraising categories. Other expenses without a directly identifiable category have been allocated proportionally to the program, management and general, or fundraising categories based upon the amount of hours spent on each of those categories.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2023 was \$11,596.

Income Taxes

The Organization is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC), as an Organization described in IRC Section 501(c)(3). Further, the Organization has been classified as an Organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Organization qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any material unrelated business income tax liability for the year ended December 31, 2023.

Generally accepted accounting principles prescribe the accounting for uncertainty in income taxes and a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There was no effect on the financial statements as a result of adopting this interpretation as the Organization believes it does not have any material uncertain tax positions reflected in its financial statements. Tax years that remain subject to examination in the Organization's major jurisdictions are for the years ended December 31, 2023, 2022, and 2021.

Accounting Pronouncements Adopted

Credit Losses

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments-Credit Losses*" (Topic 326). This standard replaces the incurred loss impairment model with a current expected credit losses model for all financial assets measured at amortized cost. Financial assets held by the Organization that are subject to the ASU include accounts receivable. This standard was effective for the Organization's year ended December 31, 2023, and the Organization adopted the standard using a modified retrospective approach as of January 1, 2023. No cumulative-effect adjustment to net assets was required. The adoption of the standard did not

LEARNING CLUB OF KCK
Notes to Financial Statements
For the Year Ended December 31, 2023

have a material impact on the financial statements and primarily resulted in changes to disclosures.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | | |
|---|-----------|-------------------------|
| Cash | \$ | 618,426 |
| Certificates of Deposit | | 325,109 |
| Investments | | <u>1,194,163</u> |
| Financial Assets Available Within One Year | \$ | <u>2,137,698</u> |

As part of the Organization’s liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization routinely invests its surplus operating funds in exchange traded funds and certificates of deposit.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSIT

The total carrying amounts of the Organization’s deposits were \$618,426 at December 31, 2023. Certificates of deposit were \$325,109 at December 31, 2023. The bank balances at year end consisted of checking accounts, certificates of deposit, and money market accounts in the amounts of \$942,744 for 2023. The Organization’s cash balances were not fully insured by the FDIC at year end. The under secured balance at December 31, 2023 was \$475,743.

NOTE 4 – INVESTMENTS AND INVESTMENT RETURN

Investments, stated at fair value, consisted of the following at December 31:

| | | |
|--------------------------|-----------|-------------------------|
| Brokerage Cash | \$ | 15,117 |
| Exchange Traded Funds | | <u>1,179,046</u> |
| Total Investments | \$ | <u>1,194,163</u> |

Investment return consisted of the following:

| | | |
|-------------------------------------|-----------|-----------------------|
| Interest Income | \$ | 14,010 |
| Dividend Income | | 29,119 |
| Net Unrealized Gains on Investments | | <u>134,984</u> |
| Total Investment Return | | 178,113 |
| Less: Investment Fees | | <u>(10,407)</u> |
| Net Investment Return | \$ | <u>167,706</u> |

NOTE 5 – EMPLOYEE RETIREMENT PLAN

The Organization provides a defined contribution retirement plan covering all full-time employees. The contribution rate has been set at the discretion of the Board of Directors to a 3% match of employee contributions. Participation in the plan is voluntary. Expense recognized by the Organization for the plan was \$14,864 for the year ended December 31, 2023.

LEARNING CLUB OF KCK
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 6 – FAIR VALUE MEASUREMENTS

Accounting guidance establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 fair value hierarchy 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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Brokerage cash is valued at fair value as reported by the financial institution at the close of the period.

Exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit are valued at amortized cost which approximates fair value.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2023:

| | Fair Value Measurements | | | |
|-------------------------|--------------------------------|---------|---------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Brokerage Cash | \$ 15,117 | - | - | 15,117 |
| Exchange Traded Funds | 1,179,046 | - | - | 1,179,046 |
| Certificates of Deposit | 325,109 | - | - | 325,109 |
| Totals | \$ 1,519,272 | - | - | 1,519,272 |

There were no transfers between levels one and two and there were no transfers in or out of level three during the current year.

The carrying values of cash, receivables, prepaid expenses, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

LEARNING CLUB OF KCK
Notes to Financial Statements
For the Year Ended December 31, 2023

NOTE 7 – OPERATING LEASES

Learning Club of KCK entered into an operating lease agreement with Blessed Sacrament Church for a lease of the Blessed Sacrament School building at 2218 Parallel Avenue, Kansas City, Kansas for \$1,300 per month and one third of the building's utilities a month. The term of the lease is month to month. Total rent paid for this property in 2023 was \$23,830.

NOTE 8 – CONCENTRATION OF SUPPORT

Approximately 60% of revenue for the year ended December 31, 2023 was from one donor.

NOTE 9 – RISKS AND UNCERTAINTIES

Learning Club of KCK invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the activities of the Organization.

The Organization has tried to minimize the risk associated with these investment securities by having the board of directors and management review the investment activity throughout the year and by having regular meetings with the investment company representatives.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2024, which is the date the financial statements were available to be issued.