

**CARES for Learning
dba FluentSeeds**

**Financial Statements
December 31, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CARES for Learning dba FluentSeeds
Stillwater, Minnesota

Opinion

We have audited the accompanying financial statements of Cares for Learning doing business as FluentSeeds (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cares for Learning dba FluentSeeds as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cares for Learning dba FluentSeeds 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, 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 Cares for Learning dba FluentSeeds ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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.

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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 Cares for Learning dba FluentSeeds 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 Cares for Learning dba FluentSeeds 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.

Foley Kalseim & Company, Ltd

Lake Elmo, MN
October 27, 2022

CARES for Learning dba FluentSeeds
 Statements of Financial Position
 December 31, 2021 and 2020

ASSETS		2021	2020
CURRENT ASSETS			
Cash and cash equivalents	\$	857,559	\$ 729,964
Accounts receivable		46,299	13,844
Total current assets		903,858	743,808
Total assets	\$	903,858	\$ 743,808

LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	14,121	\$ 15,752
Accrued absences and related taxes		47,191	40,032
Total current liabilities		61,312	55,784
NET ASSETS			
Without donor restrictions		4,174	(14,860)
With donor restrictions		838,372	702,884
Total net assets without donor restrictions		842,546	688,024
Total liabilities and net assets	\$	903,858	\$ 743,808

See accompanying notes to the financial statements.

CARES for Learning dba FluentSeeds
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT AND REVENUES		
Public support		
Contributions and grants	\$ 715	\$ 554,683
Total public support	715	554,683
Revenues		
Program service revenue	421,770	56,819
Total revenues	421,770	56,819
Total public support and revenues without donor restrictions	422,485	611,502
Net assets released from donor restrictions	1,141,178	-
EXPENSES		
Program services	1,171,694	713,910
Supporting activities		
Management and general	333,039	145,296
Fundraising	39,955	20,224
Total supporting activities	372,994	165,520
Total expenses	1,544,688	879,430
OTHER REVENUE AND EXPENSES		
Interest income	59	68
Total other revenue and expenses	59	68
Change in net assets without donor restrictions	19,034	(267,860)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	1,276,666	702,884
Net assets released from restrictions	(1,141,178)	-
Change in net assets with donor restrictions	135,488	702,884
CHANGE IN NET ASSETS	154,522	435,024
Beginning of year	688,024	253,000
End of year	\$ 842,546	\$ 688,024

See accompanying notes to the financial statements.

CARES for Learning dba FluentSeeds
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 154,522	\$ 435,024
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(32,455)	(13,844)
Pledges receivable	-	253,000
Accounts payable	(1,631)	15,752
Accrued absences and related taxes	7,159	40,032
Net cash flows from operating activities	127,595	729,964
Net change in cash and cash equivalents	127,595	729,964
CASH AND CASH EQUIVALENTS		
Beginning of year	729,964	-
End of year	\$ 857,559	\$ 729,964
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for taxes	-	-
Cash paid for interest	-	-

See accompanying notes to the financial statements.

CARES for Learning dba FluentSeeds
Statement of Functional Expenses
For the Year Ended December 31, 2021

	SUPPORTING ACTIVITIES				2021 Total
	Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 562,877	\$ 202,218	\$ 29,924	\$ 232,142	\$ 795,019
Employee benefits	21,212	7,620	1,128	8,748	29,960
Payroll taxes	52,036	18,688	2,863	21,551	73,587
Total salaries and related expenses	636,125	228,526	33,915	262,441	898,566
Program materials	119,372	-	-	-	119,372
Independent contractor expense	56,595	-	-	-	56,595
Professional fees	23,413	27,822	-	27,822	51,235
Postage, printing, and shipping	1,472	11	5,322	5,333	6,805
Mileage reimbursement/travel	909	-	-	-	909
Insurance	-	9,943	-	9,943	9,943
Occupancy	4,578	-	-	-	4,578
Telephones	5,240	1,565	-	1,565	6,805
Technology	55,023	11,345	-	11,345	66,368
Supplies	13,505	1,271	-	1,271	14,776
Bank charges and fees	-	73	-	73	73
Marketing	-	243	718	961	961
Dues and subscriptions	97	250	-	250	347
Brand and dashboard development/ e-learning	254,823	51,829	-	51,829	306,652
Miscellaneous	542	161	-	161	703
	535,569	104,513	6,040	110,553	646,122
 Total expenses	 <u>\$ 1,171,694</u>	 <u>\$ 333,039</u>	 <u>\$ 39,955</u>	 <u>\$ 372,994</u>	 <u>\$ 1,544,688</u>

See accompanying notes to the financial statements.

CARES for Learning dba FluentSeeds
Statement of Functional Expenses
For the Year Ended December 31, 2020

	SUPPORTING ACTIVITIES				2020 Total
	Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 276,983	\$ 109,560	\$ 17,685	\$ 127,245	\$ 404,228
Payroll Taxes	26,023	7,728	1,250	8,978	35,001
Total salaries and related expenses	303,006	117,288	18,935	136,223	439,229
Program materials	83,998	-	-	-	83,998
Independent contractor expense	221,616	10,443	-	10,443	232,059
Professional fees	4,475	7,262	-	7,262	11,737
Postage, printing, and shipping	3,479	53	-	53	3,532
Mileage reimbursement/travel	2,728	-	-	-	2,728
Insurance	-	4,672	-	4,672	4,672
Occupancy	1,424	-	-	-	1,424
Telephones	2,025	780	-	780	2,805
Technology	81,961	3,263	-	3,263	85,224
Supplies	4,893	454	1,288	1,742	6,635
Bank charges and fees	-	232	1	233	233
Marketing	2,834	-	-	-	2,834
Dues and subscriptions	-	849	-	849	849
Miscellaneous	1,471	-	-	-	1,471
	410,904	28,008	1,289	29,297	440,201
	<u>\$ 713,910</u>	<u>\$ 145,296</u>	<u>\$ 20,224</u>	<u>\$ 165,520</u>	<u>\$ 879,430</u>

See accompanying notes to the financial statements.

CARES for Learning dba FluentSeeds
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Cares for Learning dba FluentSeeds (the Organization) is a nonprofit corporation that's mission is to provide a public benefit by helping assure children are ready to read by the time they reach third grade.

Description of Programs: Provide training, coaching, and related curricula and materials to educational providers, organizations, and other entities.

Income Tax Status: The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a nonprofit corporation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Basis of Accounting: The Organization uses the accrual basis of accounting in accordance with generally accepted accounting principles, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Revenue Recognition: Contributions, including unconditional promises to give are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

We have analyzed the provisions of the FASB's ACS Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes are necessary to conform with the new provisions.

Financial Statement Presentation: Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets currently available at the discretion of the Board for use in the Organization's operations.

Net assets with donor restrictions: Grants and other contributions with explicit donor restrictions which specify how the gifts are to be used, including net assets restricted by donors in perpetuity as endowments or irrevocable trusts. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable: Accounts receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. No interest is charged on past due accounts. At December 31, 2021 and 2020, no allowance was needed.

CARES for Learning dba FluentSeeds
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fixed Assets: Fixed assets are stated at cost when purchased. Additions and betterments of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. As of December 31, 2021 and 2020, there were no fixed assets of the Organization.

Cash and Cash Equivalents: The Organization defined cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of FDIC and similar insurance coverage is subject to the usual bank risk for funds in excess of those limited. As of December 31, 2021 and 2020, the uninsured cash balance was \$616,888 and \$482,802, respectively.

Functional Allocation of Expenses: Expenses by function have been allocated among program and supporting service classifications. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort.

Accrued Compensated Absences: Accrued compensated absences consist of accrued vacation time and sick leave. Both vacation time and sick leave pay are recorded as an expense and liability in the period earned.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2022, the date the financial statements were issued.

2. INCOME TAXES

The Organization has evaluated for uncertain tax positions and management has expressed there are no uncertain tax positions as of December 31, 2021. Tax returns for the past three years remain open for examination by tax jurisdictions.

3. CONCENTRATIONS

For the years ended December 31, 2021 and 2020 the Organization received approximately 90% and 99%, respectively, of their total public support and revenue from one private foundation. A significant reduction in this funding could materially affect the activities of the Organization.

4. RELATED PARTIES

The Organization purchases curriculum materials from a company that is solely owned by the executive director of the Organization. The amount of materials purchased by the Organization from the related party was \$111,321 and \$12,377 during 2021 and 2020, respectively. \$5,416 and \$5,297 was due to the related party December 31, 2021 and 2020, respectively.

CARES for Learning dba FluentSeeds
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020
(Continued)

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 903,858	\$ 743,808
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted grants	<u>(838,372)</u>	<u>(702,884)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 65,486</u>	<u>\$ 40,924</u>

As part of the Organization's liquidity management, it invests in cash. The Organization does not have any loan commitments as of December 31, 2021 and 2020. The Organization expects to receive some large grants during 2022.

6. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021 and 2020, net assets with donor restrictions were composed of:

	<u>2021</u>	<u>2020</u>
Kenneth Rainin Foundation Oakland HUB grant – specific program	\$ 659,499	\$ 698,257
Kenneth Rainin Foundation – marketing grant	175,000	-
Surge Institute grant - technology	<u>3,873</u>	<u>4,627</u>
Total	<u>\$ 838,372</u>	<u>\$ 702,884</u>

7. RETIREMENT PLAN

The Organization adopted a 401(k) Plan (the Plan) during 2021 that was restated on January 1, 2022. There is no minimum age or service requirement to participate in the Plan and the Plan does not provide for any employer contributions. During 2021, there were no employee contributions.