

**CHALLENGER LEARNING CENTER
OF THE TWIN TIER REGION INC.**

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023**

**CHALLENGER LEARNING CENTER
OF THE TWIN TIER REGION INC.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Challenger Learning Center of the Twin Tier Region, Inc.

Opinion

We have audited the accompanying financial statements of *Challenger Learning Center of the Twin Tier Region, Inc.* (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024 and 2023, and the related statements of activities, 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 *Challenger Learning Center of the Twin Tier Region, Inc.* as of June 30, 2024 and 2023, and the changes in 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 audit 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 *Challenger Learning Center of the Twin Tier Region, Inc.* 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 *Challenger Learning Center of the Twin Tier Region, Inc.'s* 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, including omissions, 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 **Challenger Learning Center of the Twin Tier Region, Inc.'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 **Challenger Learning Center of the Twin Tier Region, Inc.'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.

Bysiek CPA, PLLC

BYSIEK CPA, PLLC
OCTOBER 10, 2024
OLEAN, NY

CHALLENGER LEARNING CENTER OF THE TWIN TIER REGION INC.
STATEMENTS OF FINANCIAL POSITION

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<i>As of June 30,</i>	2024	2023
Assets		
Current assets		
Cash	\$ 75,901	\$ 79,244
Total current assets	<u>75,901</u>	<u>79,244</u>
Property and equipment		
Building improvements	465,042	465,042
Equipment	695,075	695,075
Subtotal	<u>1,160,117</u>	<u>1,160,117</u>
Less accumulated depreciation	(1,015,395)	(989,204)
Net property and equipment	<u>144,722</u>	<u>170,913</u>
Other assets		
Investment at Cattaraugus Region Community Foundation (CRCF)	396,750	382,906
Total other assets	<u>396,750</u>	<u>382,906</u>
	<u>\$ 617,373</u>	<u>\$ 633,063</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,563	\$ 8,866
Deferred revenue	7,955	10,850
Total current liabilities	<u>13,518</u>	<u>19,716</u>
Long Term Debt	<u>50,440</u>	<u>51,698</u>
Net Assets		
Net assets without donor restrictions	550,401	559,469
Net assets with donor restrictions	3,014	2,180
Total net assets	<u>553,415</u>	<u>561,649</u>
	<u>\$ 617,373</u>	<u>\$ 633,063</u>

CHALLENGER LEARNING CENTER OF THE TWIN TIER REGION INC
STATEMENTS OF ACTIVITIES

For the year ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restricted	Total	Without Donor Non Restricted	With Donor Restricted	Total
Revenue						
Contributions	\$ 14,451	\$ -	\$ 14,451	\$ 17,361	\$ -	\$ 17,361
Program service revenue	131,499	-	131,499	126,124	-	126,124
Grants	17	-	17	6,379	-	6,379
Fundraiser event (net of expenses)	6,846	-	6,846	7,172	-	7,172
Mini event (net of expenses)	245	-	245	318	-	318
Investment earnings	34,313	-	34,313	33,630	-	33,630
Capital Campaign	-	834	834	-	-	-
Total support and revenue	187,371	834	188,205	190,984	-	190,984
Expenses						
Program services	143,190	-	143,190	152,221	-	152,221
Management and general	53,249	-	53,249	47,283	-	47,283
Total expenses	196,439	-	196,439	199,504	-	199,504
Change in net assets	(9,068)	834	(8,234)	(8,520)	-	(8,520)
Net assets - beginning of year	559,469	2,180	561,649	567,989	2,180	570,169
Net assets - end of year	\$ 550,401	\$ 3,014	\$ 553,415	\$ 559,469	\$ 2,180	\$ 561,649

CHALLENGER LEARNING CENTER OF THE TWIN TIER AREA REGION INC.
STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,

	2024			2023		
	Program Services	Management & General	Total	Program Services	Management & General	Total
Expenses						
Payroll	\$ 73,240	\$ 17,080	\$ 90,320	\$ 76,101	\$ 13,457	\$ 89,558
Payroll taxes and fringe benefits	5,577	1,332	6,909	5,797	1,050	6,847
Insurance	4,335	4,336	8,671	3,970	3,970	7,940
Legal and Professional	-	13,160	13,160	-	12,460	12,460
Utilities	3,781	1,620	5,401	3,793	1,625	5,418
Travel	1,681	-	1,681	1,185	-	1,185
Program Supplies	2,309	-	2,309	11,247	-	11,247
Mars Mission expense	-	-	-	184	-	184
Telephone	1,657	1,657	3,314	1,495	1,495	2,990
Office expense	2,747	10,988	13,735	2,494	9,977	12,471
Repairs and Maintenance	651	-	651	431	-	431
Depreciation	23,572	2,619	26,191	23,231	2,581	25,812
Marketing	2,615	-	2,615	959	-	959
Interest expense	1,066	457	1,523	1,559	668	2,227
Filing fees	19,959	-	19,959	19,775	-	19,775
Total expenses	\$ 143,190	\$ 53,249	\$ 196,439	\$ 152,221	\$ 47,283	\$ 199,504

See accompanying independent auditors' report and notes to financial statements.

CHALLENGER LEARNING CENTER OF THE TWIN TIER AREA REGION INC.
STATEMENTS OF CASH FLOWS

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<i>For the year ended June 30,</i>	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (8,234)	\$ (8,520)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,191	25,812
Gain on market fluctuation of CRCF investment	(13,844)	(32,993)
Change in assets and liabilities		
Other receivables	-	1,750
Accounts payable and accrued expenses	(3,303)	5,725
Deferred revenue	(2,895)	(3,510)
Net cash provided used operating activities	(2,085)	(11,736)
Cash flows from investing activities:		
Capital expenditures	-	(11,137)
Net cash used in investing activities	-	(11,137)
Cash flows from financing activities:		
Payments on long-term debt	(1,258)	-
Borrowed funds	-	1,798
Net cash used in financing activities	(1,258)	1,798
Net decrease in cash	(3,343)	(21,075)
Cash - beginning of year	79,244	100,319
Cash - end of year	\$ 75,901	\$ 79,244

See accompanying independent auditor's report and notes to financial statements.

CHALLENGER LEARNING CENTER OF THE TWIN TIER REGION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

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NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Challenger Learning Center of the Twin Tier Region Inc. (CLC) is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. **CLC** was incorporated in the state of New York on March 11, 2005. The mission of the Organization is dedicated to operating a Challenger Learning Center to serve primarily elementary through early middle school students in New York and Pennsylvania. The center was opened in June 2009.

Challenger Learning Centers operate educational programs designed to enhance the science, technical, engineering, math (STEM) and communication skills of participants. The learning environment consists of simulated space missions operated by participants and overseen by trained mission specialists.

The **CLC** executed a contract with the Challenger Center for Space Science Education to operate the program. **CLC** is obligated to meet certain operating conditions and receives certain support from the national organization including programming and software. Annual license fees to the national organization are approximately \$20,000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization has adopted FASB Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities. Under Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: *With Donor Restrictions and Without Donor Restrictions*.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash held in checking and money market accounts and certificates of deposits with maturities of less than 90 days. At year-end and throughout the year, the Organization's cash balances were deposited in multiple banks. As of June 30, 2024 and 2023, the Organization's deposits did not exceed FDIC limits.

Accounts Receivable

Accounts receivable result principally from program service fees and are presented net of an allowance for doubtful accounts. Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

Revenues are recorded when a school or organization attends a mission or other program at the Center.

Contracts with Customers

Disaggregation of revenue - CLC provides educational program services to school-aged children via simulated space missions at its center. The Organization's operations are dependent on enrollment and funding from donors and grantors. Disaggregated revenues of the Organization are presented in the Statements of Activities.

Contract balances - Accounts receivable represent the Organization's right to receive consideration from customers for services rendered. The Organization has no contract assets or liabilities as of June 30, 2024 and 2023.

Performance Obligations - The Organization's performance obligations are satisfied when services have been performed or with the transfer of goods to the customer or participant. Revenue is recognized as services are provided throughout the academic year. At June 30, 2024 and 2023, CLC has met the performance obligations for services rendered in accordance with FASB Accounting Standards Codification 606, Revenue from Contracts with Customers, and recognized the corresponding revenue in the accompanying financial statements.

Significant Judgments - There were no significant judgments affecting the determination of the amount and timing of revenue from contracts with customers during the years ended June 30, 2024 and 2023.

Donated Services

Many individuals have donated time and services to advance the Organization's programs and objectives. The value of these services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

CHALLENGER LEARNING CENTER OF THE TWIN TIER REGION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Organization has been incorporated under the New York State Not-For-Profit Corporation Law. In addition, the corporation has been granted tax exempt status from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Corporation is not considered a private foundation under Section 509(a)(2). The Organization has not been examined by federal or state taxing authorities. Tax returns for the previous three years remain open for examination.

Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Expenses that are readily identifiable to a specific program or supporting service are charged directly to that service. Expenses attributable to more than one program or supporting service are allocated based on estimated usage, square footage, or employment related expenses, which when not directly related to a program, are allocated based on estimates of time and effort.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year.

NOTE 3 – PROPERTY AND EQUIPMENT

All acquisitions of property and equipment and all expenditures for improvements that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

Depreciation is computed on the straight-line basis over the estimated useful life of 20 years for the building improvements and five to ten years for equipment and software. Depreciation expense totaled \$26,191 and \$25,812 for the years ended 2024 and 2023, respectively.

NOTE 4 – RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Support and revenue that is restricted by the donor/grantor is reported as an increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions restricted by the donor/grantor are reported as increases in net assets with donor restrictions. When a restriction expires, these amounts are reported in the statements of activities as net assets released from restrictions.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations as of June 30:

	2024	2023
Small Business Administration Economic Injury Disaster Loan, a 30-year loan with 2.75% interest, resulting in monthly payments of \$214. Payments were to commence October 25, 2021 but the government extended payments for one year. In 2022, the government delayed the payments another 6 months. Payments commenced April 25, 2023.	\$ 50,440	\$ 51,698
Total indebtedness	50,440	51,698
Less current portion	(997)	(1,161)
Long-term portion	\$ 49,443	\$ 50,537

Current maturities of long-term debt for the five years subsequent to June 30, 2024 are as follows:

<u>Year Ending October 31</u>	<u>Total Requirements</u>
2025	\$ 997
2026	1,226
2027	1,260
2028	1,296
2029	1,332

NOTE 6 – LEASE ARRANGMENT

The **CLC** has entered a long-term lease arrangement for space with St. Bonaventure University. The lease, renewed July 1, 2018, calls for \$1 rent per year for ten years until June 30, 2028. As long as the space is utilized as a space/science education center the lessee may renew the lease in additional ten-year increments under the same terms and conditions.

NOTE 7 – INVESTMENTS

In May 2013, the Organization set up an agency investment account at the Cattaraugus Region Community Foundation. The amounts invested in the account have totaled \$252,000. The Organization made a withdrawal of \$20,000 in 2024 to cover operational costs. As a result of changes in the market value of the underlying investments (a balanced mix of stock and bond mutual funds) the account appreciated in value to \$396,750 as of June 30, 2024.

NOTE 7 – INVESTMENTS (CONTINUED)

This asset is reported in the financial statements at fair value. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent resources, while unobservable inputs reflect the Organization's market assumptions. These types of inputs create the following fair value hierarchy: Level 1 inputs consist of quoted prices for identical instruments in active markets, Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities and model-derived valuations whose significant inputs are observable and Level 3 consists on instruments whose significant inputs are unobservable. This investment is considered to be a Level 1 asset.

The intent of the Board of Directors is to keep these funds invested on a long-term basis with the future ability to use the income from such funds to support operations, if necessary.

NOTE 8 – DATE OF MANAGEMENT'S REVIEW

The Organization has evaluated events and transactions through October 10, 2024 which is the date the financial statements were available to be issued.