

**EDUCATE TOMORROW, CORP.**

FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED  
SEPTEMBER 30, 2022 AND 2021

TABLE OF CONTENTS	PAGE
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	3
Statement of Activities – September 30, 2022 .....	4
Statement of Activities – September 30, 2021 .....	5
Statement of Functional Expenses – September 30, 2022 .....	6
Statement of Functional Expenses – September 30, 2021 .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9-16
<b>SUPPLEMENTARY INFORMATION</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17-18



# GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Educate Tomorrow, Corp.  
Miami, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Educate Tomorrow, Corp. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 entity'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 entity'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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Gutierrez Madariaga, CPA P.A.*

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

March 31, 2023

**EDUCATE TOMORROW, CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022 AND 2021**

<b>ASSETS</b>		
	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash, includes donor restricted of \$12,272 and \$16,467, respectively	\$ 101,208	\$ 90,824
Grants and contributions receivable, includes donor restricted of \$0 and \$15,000, respectively	520,161	400,806
Investments	24,312	28,564
Prepaid expenses and other assets	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>645,681</u>	<u>520,194</u>
Property and equipment, net	16,373	24,763
Grants and contributions receivable, long term, net	67,166	12,460
<b>TOTAL ASSETS</b>	<u>\$ 729,220</u>	<u>\$ 557,417</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 219,958	\$ 113,926
Line of credit	250,000	-
<b>CURRENT LIABILITIES</b>	<u>469,958</u>	<u>113,926</u>
<b>TOTAL LIABILITIES</b>	469,958	113,926
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without donor restrictions, includes board-designated of \$24,312 and \$28,564, respectively	246,990	412,024
With donor restrictions	12,272	31,467
<b>TOTAL NET ASSETS</b>	<u>259,262</u>	<u>443,491</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 729,220</u>	<u>\$ 557,417</u>

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

**EDUCATE TOMORROW, CORP.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 1,393,826	\$ -	\$ 1,393,826
Contributions and other grant awards	1,215,955	12,272	1,228,227
Program income	43,733	-	43,733
Fundraising	226,123	-	226,123
In-kind contributions	3,000	-	3,000
Investment loss, net	(3,852)	-	(3,852)
Other income	89,890	-	89,890
Net assets released from restrictions	31,467	(31,467)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,000,142</u>	<u>(19,195)</u>	<u>2,980,947</u>
<b>EXPENSES</b>			
Program services, includes in-kind of \$74,997	2,672,710	-	2,672,710
Fundraising	269,851	-	269,851
General and administrative	222,615	-	222,615
<b>TOTAL EXPENSES</b>	<u>3,165,176</u>	<u>-</u>	<u>3,165,176</u>
<b>CHANGE IN NET ASSETS</b>	(165,034)	(19,195)	(184,229)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>412,024</u>	<u>31,467</u>	<u>443,491</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 246,990</u>	<u>\$ 12,272</u>	<u>\$ 259,262</u>

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

**EDUCATE TOMORROW, CORP.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 1,358,828	\$ -	\$ 1,358,828
Contributions and other grant awards	1,357,929	-	1,357,929
Fundraising	24,000	-	24,000
In-kind contributions	74,997	-	74,997
Investment gain, net	3,927	-	3,927
Other income	42,946	-	42,946
Net assets released from restrictions	43,533	(43,533)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,906,160</u>	<u>(43,533)</u>	<u>2,862,627</u>
<b>EXPENSES</b>			
Program services, includes in-kind of \$214,369	2,510,093	-	2,510,093
Fundraising	286,304	-	286,304
General and administrative	189,946	-	189,946
<b>TOTAL EXPENSES</b>	<u>2,986,343</u>	<u>-</u>	<u>2,986,343</u>
<b>CHANGE IN NET ASSETS</b>	(80,183)	(43,533)	(123,716)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>492,207</u>	<u>75,000</u>	<u>567,207</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 412,024</u>	<u>\$ 31,467</u>	<u>\$ 443,491</u>

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

**EDUCATE TOMORROW, CORP.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Salaries and wages	\$ 1,406,121	\$ 197,377	\$ 79,237	\$ 1,682,735
Benefits and taxes	275,453	37,397	16,494	329,344
Professional fees	370	-	57,100	57,470
Rent	90,451	12,437	5,408	108,296
Supplies	8,180	-	1,791	9,971
Postage and shipping	-	-	122	122
Printing	575	299	-	874
Dues, books and subscriptions	1,185	-	-	1,185
Marketing	10,706	1,475	641	12,822
Travel	14,860	-	-	14,860
Conference and seminars	21,040	-	-	21,040
Insurance	14,971	2,062	4,046	21,079
Utilities	6,064	835	363	7,262
Information technology	25,559	3,520	1,531	30,610
Special events	-	5,107	-	5,107
Subcontractors	313,206	-	-	313,206
Other program expenses	469,929	-	-	469,929
Licenses and fees	-	6,877	1,170	8,047
Depreciation	7,006	965	420	8,391
Bad debt expense	-	-	42,548	42,548
In-kind	1,500	1,500	-	3,000
Miscellaneous expense	5,534	-	11,744	17,278
<b>TOTAL EXPENSES</b>	<b>\$ 2,672,710</b>	<b>\$ 269,851</b>	<b>\$ 222,615</b>	<b>\$ 3,165,176</b>

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



**EDUCATE TOMORROW, CORP.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Salaries and wages	\$ 1,153,653	\$ 197,377	\$ 79,237	\$ 1,430,267
Benefits and taxes	257,183	44,001	17,664	318,848
Professional fees	636	-	66,800	67,436
Rent	96,497	16,509	6,628	119,634
Supplies	8,011	-	1,489	9,500
Postage and shipping	515	88	35	638
Printing	202	-	-	202
Dues, books and subscriptions	349	-	-	349
Marketing	10,756	1,840	739	13,335
Travel	2,956	-	-	2,956
Conference and seminars	1,722	-	-	1,722
Insurance	17,348	2,968	1,192	21,508
Utilities	11,393	1,949	783	14,125
Information technology	20,434	3,496	1,404	25,334
Special events	-	9,000	-	9,000
Subcontractors	255,241	-	-	255,241
Other program expenses	595,435	-	-	595,435
Licenses and fees	-	-	4,088	4,088
Depreciation	6,768	1,158	464	8,390
In-kind	64,318	7,918	2,761	74,997
Miscellaneous expense	6,676	-	6,662	13,338
<b>TOTAL EXPENSES</b>	<b>\$ 2,510,093</b>	<b>\$ 286,304</b>	<b>\$ 189,946</b>	<b>\$ 2,986,343</b>

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

**EDUCATE TOMORROW, CORP.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ (184,229)</u>	<u>\$ (123,716)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	8,390	8,390
Provision for discount	4,920	-
Bad debt expense	41,152	-
Net realized and unrealized gain on investments	4,252	(3,527)
Forgiveness of note payables - PPP	-	(531,975)
(Increase) Decrease in assets:		
Grants and contributions receivable	(220,133)	464,585
Prepaid expenses and other assets	-	11,750
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	106,032	13,100
Total Adjustments	<u>(55,387)</u>	<u>(37,677)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(239,616)</u>	<u>(161,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(550)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	250,000	(100,000)
Proceeds on note payable - PPP	-	289,575
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>250,000</u>	<u>189,575</u>
NET INCREASE IN CASH	10,384	27,632
CASH AT BEGINNING OF YEAR	<u>90,824</u>	<u>63,192</u>
CASH AT END OF YEAR	<u>\$ 101,208</u>	<u>\$ 90,824</u>
SUPPLEMENTARY INFORMATION:		
Interest paid	<u>\$ 9,772</u>	<u>\$ 3,989</u>

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

**EDUCATE TOMORROW, CORP.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS**

**Organization**

Educate Tomorrow, Corp. (the “Organization”) is a Florida not-for-profit corporation chartered on November 13, 2003. The Organization’s purpose is to provide educational opportunities to disadvantaged children. Its primary focus is to have a positive and enduring impact on the academic, personal and professional lives of those it serves, helping them to mature into strong, contributing members of our community. The Organization raises funds in the community through contributions and fund raising events. The Organization also receives funding from The Children’s Trust of Miami-Dade County. These contracts are on a cost-reimbursement basis and are renewable on an annual basis.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). Presented below is a summary of significant accounting principles followed in the preparation of the accompanying financial statements.

**Basis of Preparation**

The financial statements have been prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). The Organization is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions on the use of the net assets. The two net asset categories are as follows:

Net Assets Without Donor Restrictions

The portion of the net assets of the Organization that can be used subject to the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Organization in the normal course of business. The Organization has the greatest ability to choose when using these resources. Net assets without donor restrictions generally result from contributions that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions

The portion of net assets of the Organization that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Organization’s choices when using these resources because the Organization has a fiduciary responsibility to its donors to follow the donor’s instructions. Net assets with donor restrictions generally result from donor-restricted contributions. As of September 30, 2022 and 2021, net assets with donor restrictions totaled \$12,272 and \$31,467, respectively.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Cost of major additions and improvements greater than \$250 are capitalized and expenditures for maintenance and repairs which do not extend the useful life of the assets are expensed. Donated equipment greater than \$250 is recorded at fair market value at the date of the gift.

**Grants Receivable**

Grants receivable consists primarily of amounts due from grantors under the Organization’s grant agreements. Grants receivable are stated at their estimated net realizable value. No allowance for doubtful accounts was recorded as of September 30, 2022 and 2021.

**Contributions Receivable**

When a donor has unconditionally promised to contribute funds to the Organization in future periods, the Organization recognizes a contribution receivable. Contributions expected to be collected within one year are recorded as support and a receivable at net realizable value. Contributions expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is not considered necessary. Conditional promises to give are not included as support until the conditions are substantially met. A provision for doubtful contributions receivable has not been established as management considers all accounts to be collectible based on favorable history over a substantial period of time.

**EDUCATE TOMORROW, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

---

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

**Revenue Recognition**

*Contributions*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

*Grant revenues*

Grant revenues are recognized in the period expenditures are incurred and paid in compliance with terms of the grant.

	2022	2021
Performance obligations satisfied over time	<u>\$ 1,393,826</u>	<u>\$ 1,358,828</u>
Total	<u>\$ 1,393,826</u>	<u>\$ 1,358,828</u>

**Restricted Contributions Whose Restrictions Are Met in the Same Reporting Period**

Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

**Contributed Goods and Services**

Contributed goods and services are reflected in the financial statements at their estimated fair value, if reasonably determined. The contributions of services are recognized if these services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Income Taxes**

The Organization is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an organization other than a private foundation under Section 509 (a) (2).

There are no reserves held for uncertain tax positions at September 30, 2022. Tax years that are open under the statute of limitations remain subject to examination by the IRS. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2019.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 and Cash Equivalents**

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Functional Allocation of Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the statements of functional expenses. The financial statements report certain categories of expenses that are attributable to the program or supporting function of the Organization, including certain administrative costs, depreciation, interest, and insurance. Allocation of such expenses is based upon the Organization's personnel time and effort. Such estimates are determined by management.

**EDUCATE TOMORROW, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

**Recent Accounting Pronouncements**

The Organization has adopted Accounting Standards Update (“ASU”) No. 2014-09 – *Revenue from Contract Customers* (Topic 606), as amended. This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised 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.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization will implement the new changes for the year ended September 30, 2023, if applicable.

**Subsequent Events**

The Organization has evaluated subsequent events through March 31, 2023, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE AND CONTRACT ASSETS AND LIABILITIES

Grants receivable, contract assets and liabilities consist of the following amounts as of September 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
<i>Grants receivable</i>		
The Children's Trust	\$ 129,319	\$ 154,648
Other Grants	345,508	35,159
Total	<u>\$ 474,827</u>	<u>\$ 189,807</u>
<i>Contract assets</i>	\$ -	\$ -
<i>Contract liabilities</i>	\$ -	\$ -

NOTE 3 – GRANTS AND CONTRIBUTIONS RECEIVABLE

As of September 30, 2022 and 2021, grants and contributions receivable are as follows:

	<u>2022</u>	<u>2021</u>
The Children's Trust Grants	\$ 129,319	\$ 154,648
Other Grants	345,508	35,159
Contributions Receivable	112,500	223,459
	<u>\$ 587,327</u>	<u>\$ 413,266</u>
Contributions Receivable	\$ 117,667	\$ 223,499
Less: unamortized discount at 4.06% and .09%	(5,167)	(40)
Net contributions receivable	<u>\$ 112,500</u>	<u>\$ 223,459</u>
Amounts due in:		
Less than one year	\$ 45,334	\$ 211,039
One to five years, net	67,166	12,420
	<u>\$ 112,500</u>	<u>\$ 223,459</u>

**EDUCATE TOMORROW, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2022 and 2021 consists of the following:

	2022	2021
Furniture, fixtures and computer equipment	\$ 84,682	\$ 84,682
Less: accumulated depreciation	(68,309)	(59,919)
Total	<u>\$ 16,373</u>	<u>\$ 24,763</u>

Depreciation expense was \$8,390 for the years ended September 30, 2022 and 2021.

**NOTE 5 – ENDOWMENTS**

In February 2012, the Organization deposited funds with a local non-profit foundation. This foundation, per a written agreement, created The Educate Tomorrow Endowment (“Endowment”), a board-designated endowment fund. The funds held in the Endowment will be invested in the foundation’s long-term growth pool which is designed to accept more downside short-term risk to achieve a higher level of long-term growth. Capital appreciation makes up the majority of the pool’s return, while dividends and interest play a less prominent role.

Endowment net asset composition by type of fund as of September 30, 2022 and 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions			2022 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Board-designated endowment funds	\$ 24,312	\$ -	\$ -	\$ -	\$ 24,312
	<u>\$ 24,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,312</u>

	Without Donor Restrictions	With Donor Restrictions			2021 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Board designated endowment funds	\$ 28,564	\$ -	\$ -	\$ -	\$ 28,564
	<u>\$ 28,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,564</u>

Changes in endowment net assets for the year ended September 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions			2022 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 28,564	\$ -	\$ -	\$ -	\$ 28,564
Investment loss including realized and unrealized losses	(3,852)	-	-	-	(3,852)
Total investment return	(3,852)	-	-	-	(3,852)
Contributions	-	-	-	-	-
Appropriation for expenditure	-	-	-	-	-
Management fees	(400)	-	-	-	(400)
Endowment net assets, end of year	<u>\$ 24,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,312</u>

**EDUCATE TOMORROW, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 5 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended September 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions			2021 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 25,037	\$ -	\$ -	\$ -	\$ 25,037
Investment income including realized and unrealized gains	3,927	-	-	-	3,927
Total investment return	3,927	-	-	-	3,927
Contributions	-	-	-	-	-
Appropriation for expenditure	-	-	-	-	-
Management fees	(400)	-	-	-	(400)
Endowment net assets, end of year	\$ 28,564	\$ -	\$ -	\$ -	\$ 28,564

NOTE 6 – FAIR VALUE MEASUREMENTS

The Organization classified its investments as of September 30, 2022 and 2021, based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available.

The three-level valuation hierarchy is established for the measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical investments that the entity has the ability to access at the measurement date.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity). During the years ended September 30, 2022 and 2021, there were no purchases and issues, and no transfers into or out of such assets.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022 and 2021.

Fixed income securities - consist primarily of U.S. government securities valued at the closing price reported in the active market in which the individual securities are traded.

Equity securities - consist of equity securities (i.e. common stock) and mutual funds. Equity Portfolio investments are valued at the closing price reported in the active market in which the individual securities are traded.

Alternative assets - consist of hedge funds and hard assets. These securities are evaluated using the closing price reported in active markets in which the individual securities are traded.

**EDUCATE TOMORROW, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Assets	2022 Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income and cash*	\$ 3,015	\$ 3,015	\$ -	\$ -
Equity securities*	13,445	13,445	-	-
Alternative assets*	7,852	-	4,182	3,670
Total	<u>\$ 24,312</u>	<u>\$ 16,460</u>	<u>\$ 4,182</u>	<u>\$ 3,670</u>

Assets	2021 Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income and cash*	\$ 3,599	\$ 3,599	\$ -	\$ -
Equity securities*	16,310	16,310	-	-
Alternative assets*	8,655	-	4,884	3,771
Total	<u>\$ 28,564</u>	<u>\$ 19,909</u>	<u>\$ 4,884</u>	<u>\$ 3,771</u>

\*These assets are held by the Miami Foundation pooled investment portfolio.

NOTE 7 – IN-KIND CONTRIBUTIONS

The Organization's in-kind contributions are composed of donated services, items, and rent. The Organization's operations for the years ended September 30, 2022 and 2021 include the following value of such services:

	2022	2021
Services	\$ 3,000	\$ 50,115
Donated items	-	19,782
Rent	-	5,100
	<u>\$ 3,000</u>	<u>\$ 74,997</u>

NOTE 8 – OPERATING LEASE

On April 20, 2021, the Organization entered into a real estate lease expiring in June 2022. During fiscal year ended September 30, 2022, the Organization was required to make monthly payments of approximately \$3,600 per month. In July 2021, the Organization entered into a separate real estate lease expiring in June 2024. During fiscal year ended September 30, 2022, the Organization was required to make monthly payments of approximately \$6,000 per month.

Future minimum annual lease payments required under the operating lease as of September 30, 2022 are as follows:

2023	\$ 71,435
2024	53,576
	<u>\$ 125,011</u>

Rent expense for the years ended September 30, 2022 and 2021 was \$108,150 and \$117,254, respectively.



**EDUCATE TOMORROW, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

---

**NOTE 9 – RELATED PARTIES**

Related parties include:

Melanie Damian – Member, Board of Directors  
 Virginia Emmons – President and Chief Business Development Officer  
 Melissa McCarthy – Member, Board of Directors  
 Brett McNaught – Chief Executive Officer (CEO)

Three of the individuals listed above, Melanie Damian, Virginia Emmons and Melissa McCarthy are siblings. Melanie Damian and Melissa McCarthy, as board members, received no compensation during the years ended September 30, 2022 and 2021.

President and Chief Business Development Officer Virginia Emmons is married to Brett McNaught. For the years ending September 30, 2022 and 2021, Virginia Emmons received \$199,442 and \$120,000, respectively, in compensation.

CEO Brett McNaught is married to Virginia Emmons. As CEO, for the years ending September 30, 2022 and 2021, Brett McNaught received \$161,058 and \$162,500, respectively, in compensation.

**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at September 30, 2022 and 2021, were held in:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 12,272	\$ 16,467
Grants and contributions receivable	-	15,000
	<u>\$ 12,272</u>	<u>\$ 31,467</u>

**NOTE 11 – PENSION PLAN**

In fiscal year 2014, the Organization established a Savings Incentive Match Plan for Employees also known as a SIMPLE IRA. This type of plan is designed for smaller organizations with less than 100 employees. The plan allows employees and employers to contribute to a traditional IRA and requires that the employer provide minimum matching funds. Therefore, as part of this plan, the Organization makes a 3 percent matching contribution dollar-for-dollar on employee deferrals up to 3 percent of each employee’s compensation. As of September 30, 2022 and 2021, the matching contribution expense to the Organization was \$43,484 and \$35,403, respectively.

**NOTE 12 – LINE OF CREDIT**

The Organization currently has a line of credit of \$250,000 with City National Bank, which expires on March 2023. Interest on outstanding funds is payable monthly at the bank’s prime rate and has a floor rate of 4.75%. At September 30, 2022 and 2021, the amount outstanding on the line of credit for the Organization was \$250,000 and \$0, respectively. The line of credit is secured by a security interest in the assets of the Organization. The Organization’s interest expense for the line of credit for the years ended September 30, 2022 and 2021 was \$9,772 and \$3,989, respectively.

**EDUCATE TOMORROW, CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

---

**NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Organization’s financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use within one year respectively because of the contractual or donor-imposed restrictions or internal designations:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$ 101,208	\$ 90,824
Grants and contributions receivable	587,327	413,266
Investments	<u>24,312</u>	<u>28,564</u>
Total financial assets	712,847	532,654
Less amounts not available to be used within one year:		
Cash	12,272	16,467
Grants and contributions receivable	-	15,000
Investments: board-designated	<u>24,312</u>	<u>28,564</u>
	36,584	60,031
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 676,263</u>	<u>\$ 472,623</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

SUPPLEMENTARY INFORMATION



# GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

---

The Board of Directors of  
Educate Tomorrow, Corp.  
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Educate Tomorrow, Corp. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gutierrez Madariaga, CPA P.A.*

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

March 31, 2023