

EDUCATE TOMORROW, CORP.

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.	3
Statement of Activities – September 30, 2019	4
Statement of Activities – September 30, 2018	5
Statement of Functional Expenses – September 30, 2019.	6
Statement of Functional Expenses – September 30, 2018.	7
Statements of Cash Flows.	8
Notes to Financial Statements.	9-16
SUPPLEMENTARY INFORMATION	
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



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, 2019 and 2018, 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, 2019 and 2018, 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 January 21, 2020, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 21, 2020

EDUCATE TOMORROW, CORP.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash, includes donor restricted of \$37,500 and \$0, respectively	\$ 55,135	\$ 33,585
Grants and contributions receivable, includes donor restricted of \$62,500 and \$130,000, respectively	697,268	647,481
Investments	24,171	23,907
Prepaid expenses and other assets	12,050	12,450
TOTAL CURRENT ASSETS	788,624	717,423
Property and equipment, net	40,994	40,691
Grants and contributions receivable, long term, net	9,627	45,000
TOTAL ASSETS	\$ 839,245	\$ 803,114
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 133,637	\$ 103,335
Line of credit	159,000	175,000
TOTAL LIABILITIES, ALL CURRENT	292,637	278,335
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS		
Without donor restrictions, includes board-designated of \$24,171 and \$23,907, respectively	446,608	394,779
With donor restrictions	100,000	130,000
TOTAL NET ASSETS	546,608	524,779
TOTAL LIABILITIES AND NET ASSETS	\$ 839,245	\$ 803,114

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

EDUCATE TOMORROW, CORP.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 1,260,269	\$ -	\$ 1,260,269
Contributions and other grant awards	1,079,609	75,000	1,154,609
United way	37,595	-	37,595
Fundraising	201,595	-	201,595
In-kind contributions	214,369	-	214,369
Investment gain, net	582	-	582
Other income	49,636	-	49,636
Net assets released from restrictions	105,000	(105,000)	-
TOTAL SUPPORT AND REVENUE	<u>2,948,655</u>	<u>(30,000)</u>	<u>2,918,655</u>
EXPENSES			
Program services, includes in-kind of \$214,369	2,493,209	-	2,493,209
Fundraising	219,321	-	219,321
General and administrative	184,296	-	184,296
TOTAL EXPENSES	<u>2,896,826</u>	<u>-</u>	<u>2,896,826</u>
CHANGE IN NET ASSETS	51,829	(30,000)	21,829
NET ASSETS AT BEGINNING OF YEAR	<u>394,779</u>	<u>130,000</u>	<u>524,779</u>
NET ASSETS AT END OF YEAR	<u>\$ 446,608</u>	<u>\$ 100,000</u>	<u>\$ 546,608</u>

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

EDUCATE TOMORROW, CORP.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 1,279,264	\$ -	\$ 1,279,264
Contributions and other grant awards	849,002	130,000	979,002
United way	60,925	-	60,925
Fundraising	203,062	-	203,062
In-kind contributions	215,962	-	215,962
Investment gain, net	923	-	923
Other income	30,505	-	30,505
Net assets released from restrictions	38,079	(38,079)	-
TOTAL SUPPORT AND REVENUE	<u>2,677,722</u>	<u>91,921</u>	<u>2,769,643</u>
EXPENSES			
Program services, includes in-kind of \$215,962	2,385,791	-	2,385,791
Fundraising	203,672	-	203,672
General and administrative	172,057	-	172,057
TOTAL EXPENSES	<u>2,761,520</u>	<u>-</u>	<u>2,761,520</u>
CHANGE IN NET ASSETS	(83,798)	91,921	8,123
NET ASSETS AT BEGINNING OF YEAR	<u>478,577</u>	<u>38,079</u>	<u>516,656</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 394,779</u></u>	<u><u>\$ 130,000</u></u>	<u><u>\$ 524,779</u></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, 2019

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Salaries and wages	\$ 899,597	\$ 153,758	\$ 77,218	\$ 1,130,573
Benefits and taxes	172,282	29,459	14,984	216,725
Professional fees	-	-	57,150	57,150
Rent	105,983	17,697	8,847	132,527
Supplies	16,277	1,156	580	18,013
Postage and shipping	147	25	13	185
Printing	2,560	438	220	3,218
Dues, books and subscriptions	150	-	-	150
Marketing	5,125	876	440	6,441
Travel	18,530	1,462	-	19,992
Conference and seminars	26,170	-	-	26,170
Insurance	12,196	2,085	3,756	18,037
Utilities	12,595	2,153	1,081	15,829
Information technology	17,483	2,988	1,501	21,972
Special events	-	3,461	-	3,461
Subcontractors	478,335	-	-	478,335
Other program expenses	496,259	-	-	496,259
Licenses and fees	-	3,064	16,723	19,787
Depreciation	4,092	699	351	5,142
Discount on contributions	5,564	-	-	5,564
In-kind	214,369	-	-	214,369
Miscellaneous expense	5,495	-	1,432	6,927
TOTAL EXPENSES	\$ 2,493,209	\$ 219,321	\$ 184,296	\$ 2,896,826

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

EDUCATE TOMORROW, CORP.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Salaries and wages	\$ 870,151	\$ 148,411	\$ 73,495	\$ 1,092,057
Benefits and taxes	137,535	23,458	11,616	172,609
Professional fees	16,685	-	55,550	72,235
Rent	96,763	16,504	8,173	121,440
Supplies	6,818	1,163	575	8,556
Postage and shipping	341	58	29	428
Printing	4,571	135	-	4,706
Dues, books and subscriptions	-	-	-	-
Marketing	3,910	216	119	4,245
Travel	17,332	1,033	-	18,365
Conference and seminars	16,534	-	-	16,534
Insurance	10,772	1,837	910	13,519
Utilities	13,606	2,321	1,149	17,076
Information technology	14,104	2,405	1,191	17,700
Special events	-	1,371	-	1,371
Subcontractors	426,476	-	-	426,476
Other program expenses	524,461	-	-	524,461
Licenses and fees	-	3,425	12,466	15,891
Depreciation	5,515	941	466	6,922
In-kind	215,962	-	-	215,962
Miscellaneous expense	4,255	394	6,318	10,967
TOTAL EXPENSES	\$ 2,385,791	\$ 203,672	\$ 172,057	\$ 2,761,520

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

EDUCATE TOMORROW, CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 21,829</u>	<u>\$ 8,123</u>
Adjustments to reconcile change in net assets to net provided by (cash used) in operating activities:		
Depreciation	5,142	6,922
Provision for discount	5,564	-
Net realized and unrealized gain on investments	(264)	(523)
(Increase) Decrease in assets:		
Grants and contributions receivable	(19,978)	(203,942)
Prepaid expenses and other assets	400	(9,668)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	<u>30,302</u>	<u>12,076</u>
Total Adjustments	<u>21,166</u>	<u>(195,135)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>42,995</u>	<u>(187,012)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(5,445)</u>	<u>(8,196)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,445)</u>	<u>(8,196)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments) Proceeds on line of credit	<u>(16,000)</u>	<u>125,000</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(16,000)</u>	<u>125,000</u>
NET INCREASE (DECREASE) IN CASH	21,550	(70,208)
CASH AT BEGINNING OF YEAR	<u>33,585</u>	<u>103,793</u>
CASH AT END OF YEAR	<u><u>\$ 55,135</u></u>	<u><u>\$ 33,585</u></u>
SUPPLEMENTARY INFORMATION:		
Interest paid	<u><u>\$ 6,512</u></u>	<u><u>\$ 4,459</u></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, 2019 AND 2018

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.

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 donors instructions. Net assets with donor restrictions generally result from donor-restricted contributions. As of September 30, 2019 and 2018, net assets with donor restrictions totaled \$100,000 and \$130,000, 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, 2019 and 2018.

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

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.

Revenue Recognition

It is the policy of the Organization to record grant revenue when earned and defer any unearned advances received until earned. Government funds restricted by grantor for operating purposes are deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with the specific restrictions.

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, 2019. 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 2016.

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.

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

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.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (see Note 12) and expands on the disclosure related to the functional allocation of expenses.

Subsequent Events

The Organization has evaluated subsequent events through January 21, 2020, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS AND CONTRIBUTIONS RECEIVABLE

As of September 30, 2019 and 2018, grants and contributions receivable are as follows:

	2019	2018
The Children’s Trust Grants	\$ 72,794	\$ 248,669
Other Grants	143,407	233,812
Contributions Receivable	490,694	210,000
	<u>\$ 706,895</u>	<u>\$ 692,481</u>
Contributions Receivable	\$ 496,258	\$ 210,000
Less: unamortized discount at 1.56%	(5,564)	-
Net contributions receivable	<u>\$ 490,694</u>	<u>\$ 210,000</u>
Amounts due in:		
Less than one year	\$ 481,067	\$ 165,000
One to five years, net	9,627	45,000
	<u>\$ 490,694</u>	<u>\$ 210,000</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2019 and 2018 consists of the following:

	2019	2018
Furniture, fixtures and computer equipment	\$ 84,132	\$ 78,687
Less: accumulated depreciation	(43,138)	(37,996)
Total	<u>\$ 40,994</u>	<u>\$ 40,691</u>

Depreciation expense was \$5,142 and \$6,922 for the years ended September 30, 2019 and 2018, respectively

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 4 – 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, 2019 and 2018 was as follows:

	Without Donor Restrictions	With Donor Restrictions			2019 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Board-designated endowment funds	\$ 24,171	\$ -	\$ -	\$ -	\$ 24,171
	<u>\$ 24,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,171</u>

	Without Donor Restrictions	With Donor Restrictions			2018 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Board designated endowment funds	\$ 23,907	\$ -	\$ -	\$ -	\$ 23,907
	<u>\$ 23,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,907</u>

Changes in endowment net assets for the year ended September 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions			2019 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 23,907	\$ -	\$ -	\$ -	\$ 23,907
Investment income including realized and unrealized gains	758	-	-	-	758
Total investment return	<u>758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758</u>
Contributions	-	-	-	-	-
Appropriation for expenditure	-	-	-	-	-
Management fees	(494)	-	-	-	(494)
Endowment net assets, end of year	<u>\$ 24,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,171</u>

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 4 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended September 30, 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions			2018 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 23,384	\$ -	\$ -	\$ -	\$ 23,384
Investment income including realized and unrealized gains	1,013	-	-	-	1,013
Total investment return	1,013	-	-	-	1,013
Contributions	-	-	-	-	-
Appropriation for expenditure	-	-	-	-	-
Management fees	(490)	-	-	-	(490)
Endowment net assets, end of year	\$ 23,907	\$ -	\$ -	\$ -	\$ 23,907

NOTE 5 – FAIR VALUE MEASUREMENTS

The Organization classified its investments as of September 30, 2019 and 2018, 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).

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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, 2019 and 2018.

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.

Assets	2019 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*	\$ 12,134	\$ 12,134	\$ -	\$ -
Equity securities*	7,686	7,686	-	-
Alternative assets*	4,351	-	2,465	1,886
Total	<u>\$ 24,171</u>	<u>\$ 19,820</u>	<u>\$ 2,465</u>	<u>\$ 1,886</u>

Assets	2018 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*	\$ 10,830	\$ 10,830	\$ -	\$ -
Equity securities*	7,005	7,005	-	-
Alternative assets*	6,072	-	2,271	3,801
Total	<u>\$ 23,907</u>	<u>\$ 17,835</u>	<u>\$ 2,271</u>	<u>\$ 3,801</u>

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

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 6 – 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, 2019 and 2018 include the following value of such services:

	2019	2018
Services	\$ 199,008	\$ 209,855
Donated items	15,361	6,107
	<u>\$ 214,369</u>	<u>\$ 215,962</u>

NOTE 7 – RELATED PARTIES

Related parties include:

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

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, 2019 and 2018.

Chris Damian and Melissa Visconti are also siblings. Chris Damian and Melissa Visconti, as board members, received no compensation during the years ended September 30, 2019 and 2018.

Chief Business Development Officer Virginia Emmons is married to Brett McNaught. For the years ending September 30, 2019 and 2018, Virginia Emmons received \$117,000 and \$116,904, respectively in compensation. Although she is a member of the Board of Directors, she has no board voting powers.

CEO Brett McNaught is married to Virginia Emmons. As CEO, for the years ending September 30, 2019 and 2018, Brett McNaught received \$160,000 and \$149,615, respectively in compensation. Although he is a member of the Board of Directors, he has no board voting powers.

NOTE 8 – OPERATING LEASE

On September 1, 2014, the Organization entered into a real estate lease with a term of three years expiring December 31, 2017. In June 2017, the Organization extended the lease through December 31, 2020. As of fiscal year 2019, the Organization is required to make monthly payments of approximately \$5,420 per month.

Future minimum annual lease payments required under the operating lease as of September 30, 2019 are as follows:

2020	\$ 112,779
2021	28,401
	<u>\$ 141,180</u>

Rent expense for the years ended September 30, 2019 and 2018 was \$130,124 and \$121,440, respectively.

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2019 and 2018, were held in:

	2019	2018
Cash and cash equivalents	\$ 37,500	\$ -
Grants and contributions receivable	62,500	130,000
	<u>\$ 100,000</u>	<u>\$ 130,000</u>

NOTE 10 – 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, 2019 and 2018, the matching contribution expense to the Organization was \$16,162 and \$11,912, respectively.

NOTE 11 – LINE OF CREDIT

The Organization currently has a line of credit of \$250,000 with City National Bank, which expires on March 2021. Interest on outstanding funds is payable monthly at the bank’s prime rate and has a floor rate of 4.75%. At September 30, 2019 and 2018, the amount outstanding on the line of credit for the Organization was \$159,000 and \$175,000, 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, 2019 and 2018 was \$6,512 and \$4,459, respectively.

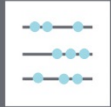
NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of September 30, 2019 and 2018, reduced by amounts not available for general use within one year respectively because of the contractual or donor-imposed restrictions or internal designations:

	2019	2018
Financial assets at year-end:		
Cash	\$ 55,135	\$ 33,585
Grants and contributions receivable	706,895	692,481
Investments	24,171	23,907
Total financial assets	<u>786,201</u>	<u>749,973</u>
Less amounts not available to be used within one year:		
Cash	37,500	130,000
Grants and contributions receivable	62,500	-
Investments: board-designated	24,171	23,907
	<u>124,171</u>	<u>153,907</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 662,030</u>	<u>\$ 596,066</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



Verdeja • De Armas • Trujillo

Certified Public Accountants and Advisors

Manny Alvarez, C.P.A.
Monique Bustamante, C.P.A.
Pedro M. De Armas, C.P.A.
Eric E. Santa Maria, C.P.A.
Alejandro M. Trujillo, C.P.A.
Octavio A. Verdeja, C.P.A.
Tab Verdeja, C.P.A.

Michelle del Sol, C.P.A.
Tommy Trujillo, C.P.A.
Javier Verdeja, C.P.A.

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, 2019, 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 January 21, 2020.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
January 21, 2020