

EDUCATE TOMORROW, CORP.

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Prior Period Financial Statements

The financial statements of the Organization as of September 30, 2019 were audited by other auditors whose report dated January 21, 2020, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, 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

February 19, 2021

EDUCATE TOMORROW, CORP.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

ASSETS		
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash, includes donor restricted of \$37,500 and \$37,500, respectively	\$ 63,192	\$ 55,135
Grants and contributions receivable, includes donor restricted of \$37,500 and \$62,500, respectively	806,848	697,268
Investments	25,037	24,171
Prepaid expenses and other assets	11,750	12,050
TOTAL CURRENT ASSETS	<u>906,827</u>	<u>788,624</u>
Property and equipment, net	32,603	40,994
Grants and contributions receivable, long term, net	71,003	9,627
TOTAL ASSETS	<u>\$ 1,010,433</u>	<u>\$ 839,245</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 100,826	\$ 133,637
Line of credit	100,000	159,000
CURRENT LIABILITIES	<u>200,826</u>	<u>292,637</u>
CURRENT LIABILITIES		
Note payable	242,400	-
LONG-TERM LIABILITIES	<u>242,400</u>	<u>-</u>
TOTAL LIABILITIES	443,226	292,637
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS		
Without donor restrictions, includes board-designated of \$25,037 and \$24,171, respectively	492,207	446,608
With donor restrictions	75,000	100,000
TOTAL NET ASSETS	<u>567,207</u>	<u>546,608</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,010,433</u>	<u>\$ 839,245</u>

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

**EDUCATE TOMORROW, CORP.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 1,416,532	\$ -	\$ 1,416,532
Contributions and other grant awards	1,371,678	37,500	1,409,178
Fundraising	162,048	-	162,048
In-kind contributions	17,244	-	17,244
Investment gain, net	1,166	-	1,166
Other income	33,039	-	33,039
Net assets released from restrictions	62,500	(62,500)	-
TOTAL SUPPORT AND REVENUE	<u>3,064,207</u>	<u>(25,000)</u>	<u>3,039,207</u>
EXPENSES			
Program services, includes in-kind of \$17,244	2,561,596	-	2,561,596
Fundraising	272,081	-	272,081
General and administrative	184,931	-	184,931
TOTAL EXPENSES	<u>3,018,608</u>	<u>-</u>	<u>3,018,608</u>
CHANGE IN NET ASSETS	45,599	(25,000)	20,599
NET ASSETS AT BEGINNING OF YEAR	<u>446,608</u>	<u>100,000</u>	<u>546,608</u>
NET ASSETS AT END OF YEAR	<u>\$ 492,207</u>	<u>\$ 75,000</u>	<u>\$ 567,207</u>

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><u>\$ 446,608</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 546,608</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, 2020

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Salaries and wages	\$ 1,014,063	\$ 195,788	\$ 74,791	\$ 1,284,642
Benefits and taxes	185,429	35,804	13,768	235,001
Professional fees	2,355	-	64,841	67,196
Rent	98,209	18,837	7,194	124,240
Supplies	14,361	520	199	15,080
Postage and shipping	562	108	41	711
Printing	3,762	337	-	4,099
Dues, books and subscriptions	120	-	-	120
Marketing	10,452	1,704	-	12,156
Travel	8,966	-	-	8,966
Conference and seminars	7,721	-	-	7,721
Insurance	11,454	2,211	3,554	17,219
Utilities	14,713	2,841	1,085	18,639
Information technology	17,366	3,353	1,280	21,999
Special events	-	5,780	-	5,780
Subcontractors	448,244	-	-	448,244
Other program expenses	698,683	-	-	698,683
Licenses and fees	-	3,519	11,358	14,877
Depreciation	6,623	1,279	488	8,390
In-kind	17,244	-	-	17,244
Miscellaneous expense	1,269	-	6,332	7,601
TOTAL EXPENSES	\$ 2,561,596	\$ 272,081	\$ 184,931	\$ 3,018,608

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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 20,599</u>	<u>\$ 21,829</u>
Adjustments to reconcile change in net assets to net (used in) provided by operating activities:		
Depreciation	8,390	5,142
Provision for discount	-	5,564
Net realized and unrealized gain on investments	(866)	(264)
(Increase) Decrease in assets:		
Grants and contributions receivable	(170,956)	(19,978)
Prepaid expenses and other assets	300	400
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(32,810)	30,302
Total Adjustments	<u>(195,942)</u>	<u>21,166</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(175,343)</u>	<u>42,995</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(5,445)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(5,445)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments) Proceeds on line of credit	(59,000)	(16,000)
Proceeds on note payable	<u>242,400</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>183,400</u>	<u>(16,000)</u>
NET INCREASE IN CASH	8,057	21,550
CASH AT BEGINNING OF YEAR	<u>55,135</u>	<u>33,585</u>
CASH AT END OF YEAR	<u>\$ 63,192</u>	<u>\$ 55,135</u>
SUPPLEMENTARY INFORMATION:		
Interest paid	<u>\$ 9,001</u>	<u>\$ 6,512</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, 2020 AND 2019**

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, 2020 and 2019, net assets with donor restrictions totaled \$75,000 and \$100,000, 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, 2020 and 2019.

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, 2020 AND 2019**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

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, 2020. 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 2017.

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.

Adopted Accounting Pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (Continued)

Adopted Accounting Pronouncements (Continued)

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 statement of functional expenses and a new disclosure about liquidity and availability of resources

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 – *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Subsequent Events

The Organization has evaluated subsequent events through February 19, 2021, which is the date the financial statements were available to be issued. (See Notes 12 and 14)

NOTE 2 – GRANTS AND CONTRIBUTIONS RECEIVABLE

As of September 30, 2020 and 2019, grants and contributions receivable are as follows:

	2020	2019
The Children's Trust Grants	\$ 131,497	\$ 72,794
Other Grants	159,835	143,407
Contributions Receivable	586,519	490,694
	<u>\$ 877,851</u>	<u>\$ 706,895</u>
Contributions Receivable	\$ 586,766	\$ 496,258
Less: unamortized discount at .16% and 1.56%	(247)	(5,564)
Net contributions receivable	<u>\$ 586,519</u>	<u>\$ 490,694</u>
Amounts due in:		
Less than one year	\$ 515,516	\$ 445,694
One to five years, net	71,003	45,000
	<u>\$ 586,519</u>	<u>\$ 490,694</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2020 and 2019 consists of the following:

	2020	2019
Furniture, fixtures and computer equipment	\$ 84,132	\$ 84,132
Less: accumulated depreciation	(51,529)	(43,138)
Total	<u>\$ 32,603</u>	<u>\$ 40,994</u>

Depreciation expense was \$8,390 and \$5,142 for the years ended September 30, 2020 and 2019, respectively

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019 was as follows:

	Without Donor Restrictions	With Donor Restrictions			2020 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Board-designated endowment funds	\$ 25,037	\$ -	\$ -	\$ -	\$ 25,037
	\$ 25,037	\$ -	\$ -	\$ -	\$ 25,037

	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
	\$ 24,171	\$ -	\$ -	\$ -	\$ 24,171

Changes in endowment net assets for the year ended September 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions			2020 Total
		Original Gift Amount	Accumulated Gains (Losses)	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 24,171	\$ -	\$ -	\$ -	\$ 24,171
Investment income including realized and unrealized gains	1,367	-	-	-	1,367
Total investment return	1,367	-	-	-	1,367
Contributions	-	-	-	-	-
Appropriation for expenditure	-	-	-	-	-
Management fees	(501)	-	-	-	(501)
Endowment net assets, end of year	\$ 25,037	\$ -	\$ -	\$ -	\$ 25,037

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 4 – ENDOWMENTS (Continued)

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	758	-	-	-	758
Contributions	-	-	-	-	-
Appropriation for expenditure	-	-	-	-	-
Management fees	(494)	-	-	-	(494)
Endowment net assets, end of year	\$ 24,171	\$ -	\$ -	\$ -	\$ 24,171

NOTE 5 – FAIR VALUE MEASUREMENTS

The Organization classified its investments as of September 30, 2020 and 2019, 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).

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, 2020 and 2019.

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, 2020 AND 2019

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Assets	2020 Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Fixed income and cash*	\$ 12,769	\$ 12,769	\$ -	\$ -
Equity securities*	7,686	7,686	-	-
Alternative assets*	4,582	-	2,579	2,003
Total	<u>\$ 25,037</u>	<u>\$ 20,455</u>	<u>\$ 2,579</u>	<u>\$ 2,003</u>

Assets	2019 Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(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>

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

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, 2020 and 2019 include the following value of such services:

	2020	2019
Services	\$ 9,000	\$ 209,855
Donated items	8,244	6,107
	<u>\$ 17,244</u>	<u>\$ 215,962</u>

NOTE 7 – 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. During fiscal year ended September 30, 2020, the Organization was required to make monthly payments of approximately \$9,500 per month. Subsequent to year-end, the Organization entered on a month-to-month agreement for this real estate lease. In addition, subsequent to year-end, the Organization entered into an additional office lease for a short term expiring in June 2021.

Future minimum annual lease payments required under the operating lease as of September 30, 2020 are as follows:

2021	\$ 58,216
	<u>\$ 58,216</u>

Rent expense for the years ended September 30, 2020 and 2019 was \$123,604 and \$130,124, respectively.

EDUCATE TOMORROW, CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 8 – RELATED PARTIES

Related parties include:

Melanie Damian – Member, Board of Directors
 Virginia Emmons – Drexel Fund Fellow
 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, 2020 and 2019.

Drexel Fund Fellow Virginia Emmons is married to Brett McNaught. For the years ending September 30, 2020 and 2019, Virginia Emmons received \$117,000 and \$116,904, respectively, in compensation.

CEO Brett McNaught is married to Virginia Emmons. As CEO, for the years ending September 30, 2020 and 2019, Brett McNaught received \$168,077 and \$160,000, respectively, in compensation.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2020 and 2019, were held in:

	2020	2019
Cash and cash equivalents	\$ 37,500	\$ 37,500
Grants and contributions receivable	37,500	62,500
	<u>\$ 75,000</u>	<u>\$ 100,000</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, 2020 and 2019, the matching contribution expense to the Organization was \$21,840 and \$16,162, 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, 2020 and 2019, the amount outstanding on the line of credit for the Organization was \$100,000 and \$159,000, 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, 2020 and 2019 was \$9,001 and \$6,512, respectively.

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FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 12 – NOTE PAYABLE

On April 15, 2020, the Organization (the “Borrower”), was granted a loan (the “Loan”) from City National Bank of Florida in the aggregate amount of \$242,400, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which is in the form of a Note dated April 16, 2020 issued by the Borrower, matures on April 16, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing in May 2021. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may be used only for certain costs incurred after receipt of Loan proceeds, including payroll costs, costs used to continue group health care benefits, mortgage, rent, and utility expenses, and interest on other debt obligations originated before February 15, 2020. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Company believes it used the entire Loan amount for qualifying expenses. The Loan is included in long-term notes payable on the statement of financial position.

Minimum payments of the note payable is as follows:

2021	\$	-
2022		242,400
	\$	<u>242,400</u>

Subsequent to year-end, the Loan was forgiven in full by the Small Business Administration. In addition, the Organization received a PPP Second Draw Loan in the amount of \$289,575.

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of September 30, 2020 and 2019, reduced by amounts not available for general use within one year respectively because of the contractual or donor-imposed restrictions or internal designations:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash	\$ 63,192	\$ 55,135
Grants and contributions receivable	877,851	706,895
Investments	<u>25,037</u>	<u>24,171</u>
Total financial assets	966,080	786,201
Less amounts not available to be used within one year:		
Cash	37,500	37,500
Grants and contributions receivable	37,500	62,500
Investments: board-designated	<u>25,037</u>	<u>24,171</u>
	100,037	124,171
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 866,043</u>	<u>\$ 662,030</u>

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

NOTE 14 – RISKS AND UNCERTANTIES

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

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, 2020, 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 February 19, 2021.

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

February 19, 2021