
LIVE THE SOLUTION DBA EARN TO LEARN

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

YEARS ENDED JUNE 30, 2023 AND 2022



LIVE THE SOLUTION DBA EARN TO LEARN

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Live the Solution dba Earn to Learn
Tucson, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Live the Solution dba Earn to Learn (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Live the Solution dba Earn to Learn as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards* ("GAS") issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Live the Solution dba Earn to Learn, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Live the Solution dba Earn to Learn's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Live the Solution dba Earn to Learn's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Live the Solution dba Earn to Learn's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of Live the Solution dba Earn to Learn'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 Live the Solution dba Earn to Learn'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 Live the Solution dba Earn to Learn's internal control over financial reporting and compliance.

Regier Cant & Monroe, L.L.P.

November 29, 2023
Tucson, Arizona

LIVE THE SOLUTION DBA EARN TO LEARN
STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS

| | 2023 | 2022 |
|---|------------------|------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,450,558 | \$ 859,100 |
| Short-term investments, certificates of deposit | 501,471 | - |
| Employee Retention Credit receivable | 293,594 | - |
| Unconditional promises to give, current portion | 1,155,000 | 283,613 |
| Government grants receivable | 150,272 | 282,657 |
| Total current assets | 3,550,895 | 1,425,370 |
| Unconditional promises to give, non-current portion | 876,918 | 95,000 |
| Total assets | \$ 4,427,813 | \$ 1,520,370 |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|-----------------------|-------------|-------------|
| Accounts payable | \$ 14,901 | \$ 22 |
| Accrued expenses | 723,349 | 499,815 |
| Total liabilities | 738,250 | 499,837 |

NET ASSETS

| | | |
|--|------------------|------------------|
| Net assets without donor restrictions | 956,714 | 371,958 |
| With donor restrictions | | |
| Purpose restrictions | 812,849 | 648,575 |
| Purpose and time-restricted for future periods | 1,920,000 | - |
| Total net assets with donor restrictions | 2,732,849 | 648,575 |
| Total net assets | 3,689,563 | 1,020,533 |
| Total liabilities and net assets | \$ 4,427,813 | \$ 1,520,370 |

The Notes to Financial Statements are an integral part of these statements.

LIVE THE SOLUTION DBA EARN TO LEARN
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

| | <u>Net Assets Without Donor Restrictions</u> | <u>Net Assets With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|--|---|----------------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 2,378,268 | \$ 3,480,000 | \$ 5,858,268 |
| Employee Retention Credit | 299,558 | - | 299,558 |
| Other income | 9,162 | - | 9,162 |
| Interest income | 2,139 | - | 2,139 |
| Net assets released from restrictions | 1,395,726 | (1,395,726) | - |
| Total revenue and support | 4,084,853 | 2,084,274 | 6,169,127 |
| EXPENSES | | | |
| Program services | 2,963,975 | - | 2,963,975 |
| General and administrative | 261,270 | - | 261,270 |
| Fundraising | 274,852 | - | 274,852 |
| Total expenses | 3,500,097 | - | 3,500,097 |
| CHANGE IN NET ASSETS | 584,756 | 2,084,274 | 2,669,030 |
| NET ASSETS, BEGINNING OF YEAR | <u>371,958</u> | <u>648,575</u> | <u>1,020,533</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 956,714</u></u> | <u><u>\$ 2,732,849</u></u> | <u><u>\$ 3,689,563</u></u> |

The Notes to Financial Statements are an integral part of these statements.

LIVE THE SOLUTION DBA EARN TO LEARN
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---------------------------------------|--|--|----------------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 2,615,765 | \$ 570,000 | \$ 3,185,765 |
| In-kind contributions | 9,974 | - | 9,974 |
| Special events | 20,500 | - | 20,500 |
| Other income | 25,615 | - | 25,615 |
| Net assets released from restrictions | 651,087 | (651,087) | - |
| | <u>3,322,941</u> | <u>(81,087)</u> | <u>3,241,854</u> |
| Total revenue and support | | | |
| EXPENSES | | | |
| Program services | 2,535,507 | - | 2,535,507 |
| General and administrative | 202,809 | - | 202,809 |
| Fundraising | 261,355 | - | 261,355 |
| | <u>2,999,671</u> | <u>-</u> | <u>2,999,671</u> |
| Total expenses | | | |
| CHANGE IN NET ASSETS | 323,270 | (81,087) | 242,183 |
| NET ASSETS, BEGINNING OF YEAR | <u>48,688</u> | <u>729,662</u> | <u>778,350</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 371,958</u></u> | <u><u>\$ 648,575</u></u> | <u><u>\$ 1,020,533</u></u> |

The Notes to Financial Statements are an integral part of these statements.

LIVE THE SOLUTION DBA EARN TO LEARN
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

| | Program Services | General and Administrative | Fundraising | Total |
|-------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Salaries and wages | \$ 1,316,586 | \$ 119,390 | \$ 206,266 | \$ 1,642,242 |
| Student scholarship match | 988,946 | - | - | 988,946 |
| Payroll taxes and benefits | 209,881 | 14,676 | 27,603 | 252,160 |
| Consulting and other services | 187,001 | 6,131 | 11,455 | 204,587 |
| Information technology | 59,423 | 31,913 | 4,255 | 95,591 |
| Legal and professional | 26,626 | 37,525 | 849 | 65,000 |
| Travel | 58,476 | 5,325 | - | 63,801 |
| Employee related | 9,660 | 20,667 | 10,739 | 41,066 |
| Marketing and advertising | 34,414 | 3,580 | 1,800 | 39,794 |
| Bank and payroll fees | 24,187 | 1,951 | 3,370 | 29,508 |
| Telephone and internet | 11,692 | 5,512 | 1,216 | 18,420 |
| Insurance | 16,358 | 1,814 | - | 18,172 |
| Office supplies | 9,469 | 3,505 | 4,724 | 17,698 |
| Licenses and membership fees | - | 7,984 | - | 7,984 |
| Printing and postage | 2,276 | 1,297 | 2,575 | 6,148 |
| Subcontracted services | 4,794 | - | - | 4,794 |
| Student supplies | 4,186 | - | - | 4,186 |
| | <u>\$ 2,963,975</u> | <u>\$ 261,270</u> | <u>\$ 274,852</u> | <u>\$ 3,500,097</u> |
| Total functional expenses | <u>\$ 2,963,975</u> | <u>\$ 261,270</u> | <u>\$ 274,852</u> | <u>\$ 3,500,097</u> |

The Notes to Financial Statements are an integral part of these statements.

LIVE THE SOLUTION DBA EARN TO LEARN
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

| | Program Services | General and Administrative | Fundraising | Total |
|----------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Salaries and wages | \$ 1,072,623 | \$ 97,267 | \$ 168,045 | \$ 1,337,935 |
| Student scholarship match | 727,374 | - | - | 727,374 |
| Payroll taxes and benefits | 190,345 | 13,310 | 25,034 | 228,689 |
| Subcontracted services | 220,560 | - | - | 220,560 |
| Consulting and other services | 152,220 | 5,646 | 30,550 | 188,416 |
| Legal and professional | 27,918 | 39,346 | 890 | 68,154 |
| Marketing and advertising | 38,397 | 4,931 | 11,479 | 54,807 |
| Information technology | 19,775 | 13,642 | 7,446 | 40,863 |
| Travel | 15,221 | 1,627 | 2,647 | 19,495 |
| Bank and payroll fees | 15,697 | 1,266 | 2,187 | 19,150 |
| Insurance | 16,780 | 1,861 | - | 18,641 |
| Office supplies | 8,587 | 3,181 | 4,284 | 16,052 |
| Employee related | 3,527 | 7,546 | 3,921 | 14,994 |
| Occupancy | 11,463 | 170 | 177 | 11,810 |
| Telephone and internet | 7,089 | 3,342 | 737 | 11,168 |
| Information technology - in-kind | 4,827 | 3,330 | 1,817 | 9,974 |
| Licenses and membership fees | - | 5,266 | - | 5,266 |
| Printing and postage | 1,892 | 1,078 | 2,141 | 5,111 |
| Student supplies | 1,212 | - | - | 1,212 |
| Total functional expenses | \$ 2,535,507 | \$ 202,809 | \$ 261,355 | \$ 2,999,671 |

The Notes to Financial Statements are an integral part of these statements.

LIVE THE SOLUTION DBA EARN TO LEARN

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,669,030 | \$ 242,183 |
| Changes in operating assets and liabilities | | |
| Government grants receivable | 132,385 | 190,621 |
| Unconditional promises to give | (1,653,305) | 190,000 |
| Employee Retention Credit receivable | (293,594) | - |
| Prepaid expenses and other current assets | - | 1,500 |
| Accounts payable | 14,879 | (17,401) |
| Accrued expenses | 223,534 | (239,774) |
| | <u>1,092,929</u> | <u>367,129</u> |
| Net cash provided by operating activities | 1,092,929 | 367,129 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of certificates of deposit | <u>(501,471)</u> | <u>-</u> |
| Net increase in cash and cash equivalents | 591,458 | 367,129 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>859,100</u> | <u>491,971</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,450,558</u> | <u>\$ 859,100</u> |

The Notes to Financial Statements are an integral part of these statements.

LIVE THE SOLUTION DBA EARN TO LEARN NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. NATURE OF ORGANIZATION

Organization

Live the Solution dba Earn to Learn (“ETL”) was incorporated as a nonprofit corporation in the state of Arizona on April 2, 2008. ETL operates the largest matched-savings scholarship program in the country. It combines student savings with scholarships, financial education, and college success coaching to help low-to moderate-income and underrepresented students obtain a college education and graduate ready to enter the workforce with little or no student loan debt. Students and their families who income-qualify deposit \$500 into a savings account each year, which is then matched 8:1 through a public and private funding model. This brings their total available funds to \$4,500 per academic year, to be used for tuition, books, fees, and other approved educational related expenses.

The holistic approach is already showing promising results. Initial data demonstrates ETL’s first-year retention rate for 4-year programs is approaching 90%. Over half of ETL’s students are first-generation college students, who often have difficulty financing college while also balancing the challenges of daily life. ETL can be the difference between dropping out and earning a degree which may alter the course of their lives. Students are supported in graduating from college at rates well above the national average, with nearly half of these graduates avoiding any student loan debt. Those who do borrow are expected to carry much less debt than other borrowers. ETL changes lives and opens the doors of higher education to those who may not otherwise have considered that they too could share the American dream of achieving advanced educational attainment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - net assets available for use in general operations and not subject to donor (or grantor) restrictions.
- Net assets with donor restrictions - net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

ETL reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when the stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, ETL considers all cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2022. Cash balances are maintained at financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts up to \$250,000 per institution. At June 30, 2023 and 2022, ETL had \$951,000 and \$604,000, respectively, cash on deposit in excess of FDIC limitations.

Unconditional Promises to Give

Unconditional promises to give are recorded when ETL has been notified that a contribution has been unconditionally promised. Unconditional promises to give expected to be received within one year of the fiscal year-end are recorded as current, and those expected to be received beyond that date are recorded at the present value of their net realizable value and are classified as non-current. ETL uses the allowance method to account for unconditional promises to give. All unconditional promises to give at June 30, 2023 and 2022, are considered fully-collectible by management; therefore, no allowance for uncollectible promises has been established.

Government Grants Receivable

Government grants receivable are recorded when ETL has been notified that a grant has been unconditionally promised. As of both June 30, 2023 and 2022, there were no amounts in government grants receivable that were greater than 90 days outstanding. ETL uses the allowance method to account for government grants receivable. All receivables at June 30, 2023 and 2022, are considered fully-collectible by management; therefore, no allowance for uncollectible government grants receivable has been established.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

ETL is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). However, net income from advertising activities not directly related to ETL’s tax-exempt purpose may be subject to taxation as unrelated business income. There was no income tax expense for such unrelated business income for the years ended June 30, 2023 and 2022. ETL is classified as other than a private foundation under Section 509(a) of the IRC.

ETL’s policy is to disclose or recognize income tax positions based on management’s estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2023, there were no uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause ETL to lose its tax-exempt status.

Short-Term Investments

ETL classifies certificates of deposit that have maturities of greater than three months but less than one year as short-term investments. Short-term certificates of deposit are carried at cost.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 these estimates.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits, legal and professional, office equipment and supplies, marketing and advertising, telephone and internet, information technology, interest, insurance and other, which are allocated on the basis of estimates of time and effort.

Donated Services and Materials

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

The cost of advertising is expensed when incurred or when the first advertising takes place. ETL does not participate in direct-response advertising, which requires the capitalization and amortization of related costs. Total advertising was \$39,794 and \$54,807 for the years ended June 30, 2023 and 2022, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Accounting Pronouncements Adopted

Effective January 1, 2022, ETL implemented Financial Accounting Standards Board Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, which superseded the previous lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are now classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The ASU also requires expanded disclosures on leases. Management considers the right-of-use asset and related liability and associated disclosures to be immaterial to the financial statements for the fiscal year ended June 30, 2023 and therefore were not recorded in ETL’s financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,450,558 | \$ 859,100 |
| Short-term investments, certificates of deposit | 501,471 | - |
| Employee Retention Credit receivable | 299,558 | - |
| Unconditional promises to give | 2,031,918 | 378,613 |
| Government grants receivable | <u>144,308</u> | <u>471,270</u> |
| Total financial assets available within one year | 4,427,813 | 1,708,983 |
| Less amounts unavailable for general expenditures within one year due to time and purpose restrictions | <u>2,732,849</u> | <u>648,575</u> |
| Total financial assets available to management for general expenditure within one year | <u>\$ 1,694,964</u> | <u>\$ 1,060,408</u> |

(continued)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

ETL maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. ETL operates within a balanced budget and a detailed 12-month rolling cash flow projection which are reviewed by its Board of Directors each quarter. ETL has a \$350,000 line of credit available to meet unanticipated cash flow needs.

4. UNCONDITIONAL PROMISES TO GIVE

As of June 30, 2023, ETL's unconditional promises to give are scheduled to be received in future years as follows:

| | |
|---|--------------------|
| 2024 | \$ 1,155,000 |
| 2025 | <u>960,000</u> |
| Total receivable | 2,115,000 |
| Less discount to present value at 4.63% | <u>(83,082)</u> |
| Unconditional promises to give, net | 2,031,918 |
| Less current portion | <u>(1,155,000)</u> |
| Non-current portion | <u>\$ 876,918</u> |

As of June 30, 2022, ETL's unconditional promises to give receivable balance was \$378,613, with \$283,613 recorded as current and \$95,000 recorded as noncurrent. There was no discount to present value because the noncurrent receivable was expected to be paid within one month after the fiscal year. Management believes the resulting discount is immaterial to the financial statements.

5. LINE OF CREDIT

As of June 30, 2023, ETL had a \$350,000 revolving line of credit agreement with a financial institution. The agreement requires monthly payments of all accrued unpaid interest at the prime rate plus 0.25% with a minimum interest rate of 4.0%. At June 30, 2023, the prime rate was 8.25%. The line of credit is secured by accounts receivable and other assets. The principal balance is payable upon demand. There was no balance on the line of credit at June 30, 2023 and 2022.

(continued)

6. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ended June 30,

| | <u>2023</u> | <u>2022</u> |
|------------------------|-------------|-----------------|
| Information technology | <u>\$ -</u> | <u>\$ 9,974</u> |

ETL does not have an official policy regarding in-kind contributions in which it designates monetizing versus utilizing contributed nonfinancial assets. There were no restrictions on in-kind contributions during the year ended June 30, 2022. The in-kind value was determined based upon the fair value of the services provided for the year ended June 30, 2022. There were no in-kind contributions for the year ended June 30, 2023.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|-------------------|
| Subject to expenditure for specified purpose: | | |
| Program support | \$ 812,849 | \$ 548,575 |
| Scholarship matching | - | 100,000 |
| Promises to give that are restricted by donors, and which are unavailable for expenditure until due | <u>1,920,000</u> | <u>-</u> |
| Total net assets with donor restrictions | <u>\$ 2,732,849</u> | <u>\$ 648,575</u> |

Activity in net assets with donor restrictions for the year ended June 30, 2023 was:

| | <u>Contributions</u> | <u>Releases</u> |
|--|----------------------|-----------------------|
| Subject to expenditure for specified purpose: | | |
| Program supporting | \$ 3,350,000 | \$ (1,165,726) |
| Scholarship matching | <u>130,000</u> | <u>(230,000)</u> |
| Total subject to expenditure for specified purpose | <u>3,480,000</u> | <u>(1,395,726)</u> |
| Total activity in net assets with donor restrictions | <u>\$ 3,480,000</u> | <u>\$ (1,395,726)</u> |

(continued)

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Activity in net assets with donor restrictions for the year ended June 30, 2022 was:

| | <u>Contributions</u> | <u>Releases</u> |
|--|----------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Program support | \$ 470,000 | \$ (401,087) |
| Scholarship matching | <u>100,000</u> | <u>-</u> |
| Total subject to expenditure for specified purpose | 570,000 | (401,087) |
| Subject to passage of time: | | |
| General operations | <u>-</u> | <u>(250,000)</u> |
| Total activity in net assets with donor restrictions | <u>\$ 570,000</u> | <u>\$ (651,087)</u> |

8. EMPLOYEE RETENTION CREDIT

ETL qualified for the Employee Retention Credit (“ERC”) during the year ended June 30, 2023. The ERC is a credit against certain payroll taxes allowed to an eligible employer for qualifying wages. It was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). ETL had a receivable of \$293,594 related to the ERC at June 30, 2023.

9. COMMITMENTS AND CONTINGENCIES

Contracts with Governmental Agencies

ETL participates in federal, state, and local grant programs. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of ETL. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable. Some of the governmental contracts are also subject to termination for convenience clauses. ETL has received no such termination notices.

(continued)

10. CONCENTRATIONS

During the year ended June 30, 2023, 75% of ETL's grant and contribution revenue was received from two organizations. The two organizations represented 49%, and 26%, respectively, of the total grant and contribution revenue during the year ended June 30, 2023. In addition, 75% of the grants and contributions receivable balance at June 30, 2023 is due from one organization.

During the year ended June 30, 2022, 48% of ETL's grant and contribution revenue was received from two organizations. The two organizations represented 26% and 22%, respectively, of the total grant and contribution revenue during the year ended June 30, 2022. In addition, 82% of the grants and contracts receivable balance at June 30, 2022 is due from three organizations. The three organizations represent 29%, 29%, and 24%, respectively, of the total grants and contributions receivable balance.

11. SUBSEQUENT EVENTS

ETL was unaware of any subsequent events as of November 29, 2023, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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*

Independent Auditor's Report

Board of Directors
Live the Solution dba Earn to Learn
Tucson, Arizona

We have audited 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, the financial statements of Live the Solution dba Earn to Learn (“ETL”) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ETL’s internal control over financial reporting (internal control) as a basis for designing 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 ETL’s internal control. Accordingly, we do not express an opinion on the effectiveness of ETL’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of ETL’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ETL'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 financial statements. 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 ETL's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ETL's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Regier Lin + Monroe, L.L.P." in a cursive style.

November 29, 2023
Tucson, Arizona

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Directors
Live the Solution dba Earn to Learn
Tucson, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Live the Solution dba Earn to Learn's ("ETL") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of ETL's major federal programs for the year ended June 30, 2023. ETL's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ETL complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ETL and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ETL's compliance with the compliance requirements referred to above.

(continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to ETL's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ETL's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ETL's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ETL's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ETL's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ETL's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(continued)

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 29, 2023
Tucson, Arizona

LIVE THE SOLUTION DBA EARN TO LEARN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

| Federal Grantor/Pass Through Grantor/Program Title | Federal Assistance Listing Identifying Number | Pass-Through Grantor's Number | Federal Funds Expended |
|--|---|-------------------------------------|---------------------------|
| <u>U.S. Department of Education</u> | | | |
| <u>Education Stabilization Fund</u> | | | |
| Passed through Arizona Department of Education: | | | |
| COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund | 84.425U | #CTR060685 | <u>\$ 529,812</u> |
| <u>Corporation for National and Community Service</u> | | | |
| Passed through Governor's Office of Youth, Faith and Family: | | | |
| AmeriCorps State and National | 94.006 | AC-VSG-20-090119 | <u>251,386</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 781,198</u></u> |

LIVE THE SOLUTION DBA EARN TO LEARN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“Schedule”) includes the federal grant activity of ETL and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of ETL, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ETL.

ETL did not pass through any of the federal awards during the audit year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures included on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

ETL recovered its indirect costs using the 10% *de minimus* indirect cost rate provided under Section 200.414 of the Uniform Guidance.

**LIVE THE SOLUTION DBA EARN TO LEARN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|--|---------------|
| Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major federal programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Type of auditor’s report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 84.425U | COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ESSER) Fund |

| | |
|--|------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV- Summary Schedule of Prior Year Findings

None noted.