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**LIVE THE SOLUTION DBA EARN TO LEARN**

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

**YEARS ENDED JUNE 30, 2022 AND 2021**



# 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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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, 2022 and 2021, 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 the 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 auditing standards generally accepted in the United States of America. 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 February 8, 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.

February 8, 2023  
Tucson, Arizona

**LIVE THE SOLUTION DBA EARN TO LEARN**  
**STATEMENTS OF FINANCIAL POSITION**

June 30, 2022 and 2021

**ASSETS**

	2022	2021
<b>CURRENT ASSETS</b>		
Cash	\$ 859,100	\$ 491,971
Grants and contributions receivable, current portion	566,270	1,041,891
Prepaid expenses and other current assets	-	1,500
Total current assets	1,425,370	1,535,362
Grants and contributions receivable, non-current portion	95,000	-
Total assets	\$ 1,520,370	\$ 1,535,362

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 22	\$ 17,423
Accrued expenses	499,815	739,589
Total liabilities	499,837	757,012

**NET ASSETS**

Net assets without donor restrictions	371,958	48,688
With donor restrictions		
Purpose restrictions	648,575	479,662
Time restrictions	-	250,000
Total net assets with donor restrictions	648,575	729,662
Total net assets	1,020,533	778,350
Total liabilities and net assets	\$ 1,520,370	\$ 1,535,362

*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

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
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			
<b>EXPENSES</b>			
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			
<b>CHANGE IN NET ASSETS</b>	323,270	(81,087)	242,183
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>48,688</u>	<u>729,662</u>	<u>778,350</u>
<b>NET ASSETS, END OF YEAR</b>	<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 ACTIVITIES**

For the Year Ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 1,499,854	\$ 559,750	\$ 2,059,604
Grant - Paycheck Protection Program	294,787	-	294,787
In-kind contributions	85,412	-	85,412
Special events	96,415	-	96,415
Other income	72	-	72
Net assets released from restrictions	537,362	(537,362)	-
	<u>2,513,902</u>	<u>22,388</u>	<u>2,536,290</u>
<b>EXPENSES</b>			
Program services	2,098,092	-	2,098,092
General and administrative	163,082	-	163,082
Fundraising	212,721	-	212,721
	<u>2,473,895</u>	<u>-</u>	<u>2,473,895</u>
<b>CHANGE IN NET ASSETS</b>	40,007	22,388	62,395
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>8,681</u>	<u>707,274</u>	<u>715,955</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 48,688</u></u>	<u><u>\$ 729,662</u></u>	<u><u>\$ 778,350</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, 2022

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,072,623	\$ 97,267	\$ 168,045	\$ 1,337,935
Subcontracted services	220,560	-	-	220,560
Payroll taxes and benefits	190,345	13,310	25,034	228,689
Student scholarship match	727,374	-	-	727,374
Student supplies	1,212	-	-	1,212
Occupancy	11,463	170	177	11,810
Consulting and other services	152,220	5,646	30,550	188,416
Legal and professional	27,918	39,346	890	68,154
Information technology	19,775	13,642	7,446	40,863
Information technology - in-kind	4,827	3,330	1,817	9,974
Marketing and advertising	38,397	4,931	11,479	54,807
Office equipment and supplies	24,284	9,713	6,471	40,468
Telephone and internet	7,089	3,342	737	11,168
Printing and postage	1,892	1,078	2,141	5,111
Travel	15,221	1,627	2,647	19,495
Insurance	16,780	1,861	-	18,641
Employee related	3,527	7,546	3,921	14,994
<b>Total functional expenses</b>	<b>\$ 2,535,507</b>	<b>\$ 202,809</b>	<b>\$ 261,355</b>	<b>\$ 2,999,671</b>

*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, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 727,786	\$ 65,997	\$ 114,020	\$ 907,803
Subcontracted services	328,140	-	-	328,140
Payroll taxes and benefits	160,230	12,274	21,205	193,709
Student scholarship match	633,998	-	-	633,998
Student supplies	92,291	-	-	92,291
Occupancy	10,774	159	167	11,100
Occupancy - in-kind	74,012	1,095	1,143	76,250
Consulting and other services	11,070	2,046	55,158	68,274
Legal and professional	4,230	54,148	772	59,150
Information technology	15,164	10,461	5,710	31,335
Information technology - in-kind	4,434	3,059	1,669	9,162
Marketing and advertising	16,240	2,214	6,154	24,608
Office equipment and supplies	6,620	2,648	1,764	11,032
Telephone and internet	5,927	2,794	616	9,337
Printing and postage	3,101	1,768	3,510	8,379
Travel	3,414	365	594	4,373
Insurance	-	2,724	-	2,724
Interest	446	870	-	1,316
Employee related	215	460	239	914
	<u>\$ 2,098,092</u>	<u>\$ 163,082</u>	<u>\$ 212,721</u>	<u>\$ 2,473,895</u>
Total functional expenses	<u>\$ 2,098,092</u>	<u>\$ 163,082</u>	<u>\$ 212,721</u>	<u>\$ 2,473,895</u>

*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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 242,183	\$ 62,395
Changes in operating assets and liabilities		
Grants and accounts receivable	380,621	(319,922)
Prepaid expenses and other current assets	1,500	-
Accounts payable	(17,401)	(13,727)
Accrued expenses and other liabilities	(239,774)	518,866
Refund advance - Paycheck Protection Program	-	(16,305)
	<u>367,129</u>	<u>231,307</u>
Net cash provided by operating activities	367,129	231,307
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on line of credit	-	83,672
Payments on line of credit	-	(83,672)
	<u>-</u>	<u>-</u>
Net cash provided by financing activities	-	-
Net increase in cash	367,129	231,307
<b>CASH, BEGINNING OF YEAR</b>	<u>491,971</u>	<u>260,664</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 859,100</u></u>	<u><u>\$ 491,971</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u><u>\$ -</u></u>	<u><u>\$ 1,316</u></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, 2022 and 2021

## **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 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*

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 are no cash equivalents at June 30, 2022 and 2021. 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, 2022 and 2021, ETL had \$604,100 and \$41,000, respectively, cash on deposit in excess of FDIC limitations.

### *Grants and Contributions Receivable*

Grants and contributions receivable are recorded when ETL has been notified that a grant has been unconditionally promised. Grants and contributions 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 as non-current. As of June 30, 2022 and 2021, there are \$160,000 and \$5,000, respectively, in grants and contributions receivable that are greater than 90 days outstanding. ETL uses the allowance method to account for uncollectible contracts and grants receivable. All receivables at June 30, 2022 and 2021, are considered fully-collectible by management; therefore, no allowance for uncollectible contracts and grants receivable has been established.

### *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, 2022 and 2021. 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, 2022, 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.

*(continued)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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 occupancy costs, which are allocated on a square footage basis, as well as 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.

### *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.

### *Change in Accounting Principle – Contributed Nonfinancial Assets*

ETL has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU requires organizations to disaggregate the contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and modifies the disclosure requirements for contributed nonfinancial assets. ETL retrospectively adopted ASU 2020-07 for the fiscal year beginning July 1, 2021.

*(continued)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Recent Accounting Pronouncements – not yet adopted*

#### Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current 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 will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the balance sheet. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for ETL's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

## 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>2022</u>	<u>2021</u>
Cash	\$ 859,100	\$ 491,971
Grants and contributions receivable, current portion	<u>566,270</u>	<u>1,041,891</u>
Total financial assets available within one year	1,425,370	1,533,862
Less amounts unavailable for general expenditures within one year due to time and purpose restrictions	<u>648,575</u>	<u>479,662</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 776,795</u>	<u>\$ 1,054,200</u>

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 month. ETL has a \$200,000 line of credit available to meet unanticipated cash flow needs.

*(continued)*

#### 4. LINE OF CREDIT

As of June 30, 2022, ETL had a \$200,000 revolving line of credit agreement with Bank of the West. 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, 2022, the prime rate was 4.75%. 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, 2022 and 2021.

#### 5. IN-KIND CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
Information technology	\$ 9,974	\$ 9,162
Occupancy	<u>-</u>	<u>76,250</u>
Total in-kind contributions	<u>\$ 9,974</u>	<u>\$ 85,412</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 years ended June 30, 2022 and 2021. The in-kind value was determined based upon rent occupancy costs for the years ended June 30, 2022 and 2021.

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Program support	\$ 548,575	\$ 404,662
Scholarship matching	<u>100,000</u>	<u>75,000</u>
	648,575	479,662
Subject to passage of time		
General operations	<u>-</u>	<u>250,000</u>
Total net assets with donor restrictions	<u>\$ 648,575</u>	<u>\$ 729,662</u>

*(continued)*



## 6. 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 supporting	\$ 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>

Activity in net assets with donor restrictions for the year ended June 30, 2021 was:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
Program support	\$ 484,750	\$ (237,362)
Scholarship matching	<u>75,000</u>	<u>(50,000)</u>
Total subject to expenditure for specified purpose	559,750	(287,362)
Subject to passage of time		
General operations	<u>-</u>	<u>(250,000)</u>
Total activity in net assets with donor restrictions	<u>\$ 559,750</u>	<u>\$ (537,362)</u>

## 7. 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)

## 8. CONCENTRATIONS

During the year ended June 30, 2022, 58% of ETL's grant and contribution revenue was received from two organizations. The two organizations represented 45%, and 13%, respectively, of the total grant and contribution revenue during the year ended June 30, 2022. In addition, 82% of the grants and contributions 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.

During the year ended June 30, 2021, 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, 2021. In addition, 78% of the grants and contracts receivable balance at June 30, 2021 is due from two organizations. The two organizations represent 54% and 24%, respectively, of the total grants and contributions receivable balance.

## 9. LEASE COMMITMENTS

ETL leases equipment. The lease agreement requires monthly payments of \$235 and expires in October 2024. Future minimum lease payments due under this agreement are:

Year Ended June 30:

2023	\$ 2,820
2024	2,820
2025	<u>940</u>
Total	<u>\$ 6,580</u>

## 10. SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2022, ETL qualified for a \$1 million grant from the Arizona Department of Education.

ETL was unaware of any other subsequent events as of February 8, 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, 2022, 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 February 8, 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 C. + Monroe, L.L.P." in a cursive style.

February 8, 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, 2022. 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, 2022.

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.



February 8, 2023  
Tucson, Arizona



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

For the Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing Identifying Number	Pass-Through Grantor's Number	Federal Funds Expended
<b><u>U.S. Department of Education</u></b>			
<b>Passed through Arizona Department of Education:</b>			
COVID-19 - Education Stabilization Fund Governor's Emergency Education Relief Fund	84.425C	N/A	\$ 1,436,074
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	#CTR060685	<u>87,993</u>
Total U.S. Department of Education			1,524,067
<b><u>Corporation for National and Community Service</u></b>			
<b>Passed through Governor's Office of Youth, Faith and Family:</b>			
AmeriCorps State and National	94.006	AC-VSG-20-090119	<u>79,010</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$ 1,603,077</u></u></b>

**LIVE THE SOLUTION DBA EARN TO LEARN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2022

**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 did not recover 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, 2022

**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>
84.425C	Education Stabilization Fund - Governor’s Emergency Education Relief (GEER) Fund
84.425U	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.