

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Financial Statements
(With Independent Auditors' Report)

June 30, 2022 and 2021

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.
June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dominican Republic Education and Mentoring Project, Inc.
Milton, Vermont

Opinion

We have audited the accompanying financial statements of Dominican Republic Education and Mentoring Project, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the 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 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.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As noted in the "Auditors' Responsibilities for the Audit of the Financial Statements" paragraphs, we considered the Organization's internal control over financial reporting. Although we do not issue an opinion on internal control, we issued a separate report dated May 13, 2022 communicating certain material weaknesses and significant deficiencies over internal control.

McSoley McCoy & Co.

South Burlington, Vermont
September 6, 2023
VT Reg. No. 92-349

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 588,149	\$ 532,358
Accounts receivable	43,027	25,043
Prepays and other assets	<u>140,039</u>	<u>39,417</u>
Total current assets	771,215	596,818
Property, land and equipment, net	317,766	316,368
Investments	<u>3,016,045</u>	<u>2,293,213</u>
Total assets	<u>\$ 4,105,026</u>	<u>\$ 3,206,399</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 51,785	\$ 78,170
Advance deposits	<u>166,211</u>	<u>-</u>
Total current liabilities	<u>217,996</u>	<u>78,170</u>
Net assets:		
Without donor restrictions:		
Undesignated	596,519	632,406
Board designated	3,016,045	2,293,213
With donor restrictions	<u>274,466</u>	<u>202,610</u>
Total net assets	<u>3,887,030</u>	<u>3,128,229</u>
Total liabilities and net assets	<u>\$ 4,105,026</u>	<u>\$ 3,206,399</u>

See accompanying notes to the financial statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Statements of Activities

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions:		
Revenue and support:		
Contributions	\$ 1,896,640	\$ 966,811
Service learning trips, net	60,839	16,932
Donated services and materials	143,993	68,978
Project service fees	22,561	774
Special event income, net	65,845	181,201
Interest and dividend income	-	1,102
Realized and unrealized gain (loss) on investments	(68,041)	33,319
COVID-19 relief	-	9,375
Other income	<u>15,947</u>	<u>43,308</u>
Total revenue and support	2,137,784	1,321,800
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>123,883</u>	<u>447,247</u>
Total revenue and support without donor restrictions	<u>2,261,667</u>	<u>1,769,047</u>
Operating expenses:		
Program services:		
Montessori preschools	324,200	254,629
Youth programs	456,553	276,440
Community programs	143,471	192,476
Literacy programs	<u>218,733</u>	<u>126,475</u>
Total program services	<u>1,142,957</u>	<u>850,020</u>
Supporting services:		
Management and general	255,903	144,410
Fundraising	<u>175,842</u>	<u>138,070</u>
Total operating expenses	<u>1,574,702</u>	<u>1,132,500</u>
Increase in net assets without donor restrictions	<u>686,965</u>	<u>636,547</u>
Changes in net assets with donor restrictions:		
Contributions	195,719	237,061
Net assets released from restrictions	<u>(123,883)</u>	<u>(447,247)</u>
Increase (decrease) in net assets with donor restrictions	<u>71,836</u>	<u>(210,186)</u>
Increase in net assets	758,801	426,361
Net assets, beginning of the year	<u>3,128,229</u>	<u>2,701,868</u>
Net assets, ending of the year	<u>\$ 3,887,030</u>	<u>\$ 3,128,229</u>

See accompanying notes to the financial statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Summarized Totals for 2021)

	Program Services					Supporting Services		2022 Total Expenses	2021 Total Expenses	
	Montessori Preschools	Youth Programs	Community Programs	Literacy Programs	DREAM Center	Total Program	Management & General			Fundraising
Bank fees	\$ -	\$ 180	\$ 281	\$ -	\$ -	\$ 461	\$ 12,834	\$ -	\$ 13,295	\$ 12,372
Brochures and marketing	-	1,813	-	102	-	1,915	2,289	2,834	7,038	8,855
Community support	1,070	48,444	51,795	480	-	101,789	214	-	102,003	86,179
Events and trips	267	6,333	4,053	745	3,504	14,902	1,377	3,645	19,924	4,381
In-kind goods	282	14,952	42	2,522	235	18,033	168	10,505	28,706	8,103
Insurance	325	-	-	-	1,977	2,302	-	-	2,302	2,412
Meals	11,746	12,154	649	3,363	23,861	51,773	257	195	52,225	19,267
Medical	350	909	303	104	576	2,242	551	250	3,043	6,440
Miscellaneous	-	-	-	93	-	93	-	-	93	6,237
Occupancy	1,298	18,076	-	219	-	19,593	5,653	-	25,246	14,582
Office supplies	231	285	23	62	233	834	2,489	457	3,780	1,027
Payroll and related costs	219,278	142,988	27,483	82,705	55,587	528,041	92,810	120,277	741,128	579,405
Phone and internet	1,186	3,104	154	1,628	2,357	8,429	2,045	2,391	12,865	16,651
Postage and shipping	337	661	65	4,544	11	5,618	795	105	6,518	3,288
Printing and copying	176	575	42	10,471	58	11,322	1,014	1,384	13,720	4,932
Professional fees	193	-	-	1,537	-	1,730	18,237	-	19,967	21,071
Pro bono	2,228	46,430	6,920	-	-	55,578	-	-	55,578	25,800
Repairs and maintenance	11,002	4,199	97	6,277	19,814	41,389	2,480	-	43,869	18,290
School supplies	9,122	22,432	10,602	59,441	3,530	105,127	464	773	106,364	74,915
Staff development	1,999	335	24	932	1,968	5,258	1,804	1,205	8,267	4,682
Travel and transportation	7,345	30,785	7,203	9,217	7,680	62,230	559	4,753	67,542	27,834
Uniforms	1,513	10,835	1,316	356	3,545	17,565	436	2,089	20,090	4,063
Utilities	423	890	-	-	6,235	7,548	2,318	-	9,866	3,606
Volunteers	4,028	16,680	3,265	2,198	999	27,170	-	-	27,170	9,947
Overhead allocation	45,496	66,319	11,936	31,737	(132,170)	23,318	106,152	22,747	152,217	140,014
Depreciation	4,305	7,174	17,218	-	-	28,697	957	2,232	31,886	28,147
Total expenses	\$ 324,200	\$ 456,553	\$ 143,471	\$ 218,733	\$ -	\$ 1,142,957	\$ 255,903	\$ 175,842	\$ 1,574,702	\$ 1,132,500

**

** These expenses have been allocated throughout the other programs.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 758,801	\$ 426,361
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	31,886	28,147
COVID-19 relief	-	(9,375)
Unrealized (gain) loss on investments	68,041	(33,319)
Changes in:		
Accounts receivable	(17,984)	48,473
Prepays and other assets	(100,622)	(402)
Accounts payable and accrued expenses	(26,385)	(36,018)
Advance deposits	<u>166,211</u>	<u>(33,199)</u>
 Net cash provided by operating activities	 <u>879,948</u>	 <u>390,668</u>
 Cash Flows from Investing Activities:		
Purchases of property and equipment	(33,281)	(6,772)
Purchase of investments, net	<u>(790,876)</u>	<u>(324,817)</u>
 Net cash used in investing activities	 <u>(824,157)</u>	 <u>(331,589)</u>
 Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program	<u>-</u>	<u>9,375</u>
 Net increase in cash and cash equivalents	 55,791	 68,454
 Cash and Cash Equivalents:		
Beginning	<u>532,358</u>	<u>463,904</u>
 Ending	 <u>\$ 588,149</u>	 <u>\$ 532,358</u>

See accompanying notes to the financial statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(1) Nature of Organization

Dominican Republic Education and Mentoring Project, Inc. (the “Organization” or “DREAM”) is a 501(c)(3) non-profit organization that works to improve the education of impoverished youth in the Dominican Republic (DR). Their mission is to provide high-quality educational opportunities to children, youth and families in the Dominican Republic. The Organization’s transformative education programs respond to gaps in the national education system and empower at-risk children and youth to create a better future for themselves and their families. Through innovative approaches to literacy, early childhood education, youth leadership, music instruction and community support, the Organization promotes critical thinking and independence to enrich lives and strengthen sustainable communities. The Organization ensures successful results through careful analysis, a commitment to learning, and continuous improvement. Their approaches effectively address local needs and can be replicated throughout high poverty global communities. The Organization provides quality education for more than 6,500 children annually through 18 different programs across 15 communities, affecting the lives of more than 10,000 community members.

The Organization’s major programs consist of the following:

Montessori Academy includes Montessori Preschools, Escuelita de Padres, Integrated Elementary Education.

The Montessori Method focuses on alternative educational opportunities based on childhood development theories for children ages three to eight. Children are free to explore their intelligence while socially developing. Our program allows children to grow and develop at their own pace while encouraging play and exploration in a safe learning environment. Teachers act as guides who promote and enable students to be independent, taking ownership of their development. The Montessori curriculum focuses on nine key areas: practical life skills, sensory development, math, language, science and culture, art, gross motor skills, character development and family integration.

Community Programs consist of Luceros, Department of Psychology, Summer Camp, and Eco-DREAM. DREAM believes in holistic community development that begins with access to high-quality education, from early childhood to primary school and beyond. We realize that education is just one piece of the puzzle to end extreme poverty in the Dominican Republic. Through our community programs, we provide additional services, including birth registrations and documentation, psychological intervention and training, summer enrichment and crisis response.

Global Connection Groups, DREAM customizes cultural exchange and service learning trips to ensure our local communities receive the support they need. DREAM’s trained and certified local guides pair Global Connection Groups with community projects that offer high-impact experiences that meet community needs and create an unforgettable experience to empower international volunteers and enhance their understanding of global citizenship.

Youth Programs includes Deportes para la Vida, Única, Luchadores por el Cambio, A Ganar, Scholarships, and Youth Networks. DREAM believes that holistic youth development is key to ensuring that youth have the opportunity to live safe, healthy and productive lives, which ultimately strengthens the communities in which they live. Youth development programs protect the basic rights of vulnerable youth, encourage personal growth, promote positive behavior change and develop future leaders. Our programs foster healthy decision-making at critical moments so that youth do not just survive – they thrive.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Nature of Organization (continued)

Literacy Programs includes Reading & Library Programs, My Very Own Library, Teacher Training, and DREAM Publications. DREAM implements a unique approach to literacy that is rooted in research-based best practices and includes direct instruction of phonics, decoding, reading comprehension and critical-thinking skills. Through small-group instruction focusing on early literacy intervention, DREAM educators teach young learners to read and emphasize comprehension and critical-thinking skills for older students. Staff participate in professional development opportunities where they are trained on innovative instructional methodologies and classroom management skills.

#DREAMenCASA, in response to mandatory distanced learning in the DR during the COVID-19 pandemic, the Organization began providing educational materials and online resources to thousands of children, youth and community members while they could remain at home through #DREAMenCASA. The Organization distributed #DREAMPaqs that contained printed workbooks created by their teachers with arts and school supplies to Montessori and primary school families. Through the parent support component of #DREAMenCASA, DREAM provided one-on-one instruction to preschool parents about how to best utilize the #DREAMPaqs at home.

Bachata Academy is the only music program in the world that focuses on teaching bachata and merengue. A music education focused on local traditions motivates children, empowers communities and preserves diversity. The Academy adjuncts the DREAM Project's flagship campus in Cabarete's Callejón de la Loma and offers free intensive music classes to children of surrounding communities. The Academy's Grammy-nominated professor Abel Martinez endeavors to transmit his knowledge of bachata to future generations, while encouraging children to develop their own musical expression.

(2) Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying financial statements are prepared using the accrual basis of accounting under accounting principles generally accepted in the United States of America (U.S. GAAP).

(b) Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Contributions received are recorded as either net assets with or without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Restricted contributions whose restrictions are met in the same period are shown as increases in net assets with donor restrictions with a corresponding transfer to those without.

(c) Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Summary of Significant Accounting Policies (continued)

(d) Net assets

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 certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor, or certain grantor, imposed 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(e) Cash and cash equivalents

For the purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Accounts receivable

Receivables include amounts due from the Organization's customers and donors. The Organization invoices in advance based on contracts or grants details. The Organization does not maintain an allowance for doubtful accounts as all receivables are deemed collectible. Accounts receivable as of June 30, 2022, June 30, 2021, and July 1, 2021 was \$43,027, \$25,043, and \$73,516, respectively.

(g) Property, land and equipment

Property, land and equipment are recorded at cost. Acquisitions for more than \$300 and a useful life of more than one year will be capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

(h) Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in equity and debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Donated securities are recorded at fair market value on the date of the donation.

(i) Contributions

The Organization evaluates whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Summary of Significant Accounting Policies (continued)

(j) Advanced deposits

Cash received from students for future student trips is recorded as advance deposits until such time as the trips occur, at which time revenues are recognized.

(k) Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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. Expenses that are allocated on the basis of estimates of time and effort include payroll and payroll related expenses, professional fees, utilities, community support, depreciation and insurance.

(l) Comparative financial information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(m) Subsequent events

The Organization evaluated subsequent events through September 6, 2023, the date the Organization's financial statements were available to be used.

(3) Concentration of Credit Risk

The Organization maintains cash account balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses with these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(4) Property, Land and Equipment

Property, land and equipment consists of the following as of June 30, 2022 and 2021:

	Useful life in years	2022	2021
Land		\$ 44,763	\$ 44,763
Vehicles	3 - 5	68,057	68,057
Equipment	5 - 10	188,035	157,138
Building	40	329,505	329,505
Furniture	5 - 7	104,222	103,012
Books	3	74,188	74,188
		808,770	776,663
Less accumulated depreciation		(491,004)	(460,295)
Property, land and equipment, net		<u>\$ 317,766</u>	<u>\$ 316,368</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$31,886 and \$28,147, respectively.

(5) Fair Value Measurement of Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

In accordance with this framework, the Organization reports its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Organization's valuation techniques.

Level 1 - The most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of June 30.

Level 2 - Investments are measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term.

Level 3 - Investments are measured using inputs that are unobservable, and are used in situations for which there is little, if any, market activity for the investment.

The primary use of fair value measures in the Organization's financial statements is for the recurring measurement of investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not always available for the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The Organization did not transfer any investments between Levels 1, 2 and 3 during the year.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Fair Value Measurement of Investments (continued)

The fair value of the Organization’s long-term investments is determined by the closing price on the last business day of the year as determined by Level 1 inputs. Long-term investments consist of money market funds, stock, corporate fixed income, and mutual funds as follows at June 30, 2022 and 2021:

	June 30, 2022		
	Cost	Fair Market Value	Unrealized Loss
Money market funds	\$ 874,196	\$ 874,196	\$ -
Stock	548,436	513,643	(34,793)
Bond EFTs	19,505	15,585	(3,920)
Government bonds	39,664	39,289	(375)
Corporate fixed income	146,004	132,154	(13,850)
Mutual funds	1,468,824	1,441,178	(27,646)
	<u>\$ 3,096,629</u>	<u>\$ 3,016,045</u>	<u>\$ (80,584)</u>

	June 30, 2021		
	Cost	Fair Market Value	Unrealized Gain
Money market funds	\$ 510,970	\$ 510,970	\$ -
Stock	262,180	282,319	20,139
Corporate fixed income	73,841	74,462	621
Mutual funds	1,421,201	1,425,462	4,261
	<u>\$ 2,268,192</u>	<u>\$ 2,293,213</u>	<u>\$ 25,021</u>

The Organization’s investments are subject to various risks, such as interest rate, credit and overall market volatility risks.

(6) Foreign Operations

With the exception of a small office in the United States and several special fundraising events, all of the Organization’s operations are conducted in the Dominican Republic in local currency – the Dominican Peso (RD\$). Consequently, all Dominican transactions are converted to U.S. dollars when included in the United States accounting records, along with any resulting currency exchange gains or losses at the time of the transaction.

The aggregate foreign currency transaction gain (loss) included in the change in net assets was considered trivial. The exchange rate changes occurring after the statement of financial position date are also considered trivial.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(7) Board Designated Funds

The board designated funds consist of net assets without donor restrictions that the Board of Directors has chosen to hold as designated funds to be used for future operations. The Board has not yet formulated its return objectives and risk parameters. The Board's objective is to grow the fund assets and use the funds for operations as needed. Changes in board designated net assets consist of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 2,293,213	\$ 1,935,077
Contributions	801,142	329,000
Investment income	164	1,102
Change in market value	(68,134)	33,319
Fees	<u>(10,340)</u>	<u>(5,285)</u>
	<u>\$ 3,016,045</u>	<u>\$ 2,293,213</u>

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Abreu Development	\$ 13,032	\$ 13,032
A Ganar	66,008	-
Community Support	43,785	38,099
Luceros Grant	2,926	48,894
Montessori Programs	15,000	42,596
Public Library	54,445	4,969
Young Stars	<u>79,270</u>	<u>55,020</u>
	<u>\$ 274,466</u>	<u>\$ 202,610</u>

(9) Donated Services and Materials

Donated services and materials that met the definition for recognition in the financial statements were as follows:

	<u>2022</u>	<u>2021</u>
Educational material	\$ 26,114	\$ 5,979
In-kind services	<u>117,879</u>	<u>62,999</u>
Total	<u>\$ 143,993</u>	<u>\$ 68,978</u>

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(10) Service Learning Trips

Revenue received for service learning trips is shown net of the direct costs for student housing and meals. For the years ended June 30, 2022 and 2021, the net activity for service learning trips was \$60,839 and \$16,932, respectively.

(11) Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes under Section 501(a) of the IRC since August 21, 1976. In addition, it has been classified as an organization that is not a private foundation under Section 509(a) of the IRC.

U.S. GAAP requires entities to disclose in their financial statements the nature of any uncertainty in their tax positions. For tax exempt entities, tax exempt status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax exempt status. Management believes the Organization has no uncertain tax positions. The Organization anticipates that it will not have a change in uncertain tax positions during the next twelve months that would have a material impact on the Organization's financial statements. If necessary, the Organization would accrue interest and penalties on uncertain tax positions as a component of the provision for income taxes. The Organization is no longer subject to federal and state income tax examinations by tax authorities for years before 2019.

(12) Related Party

The Board is proactive about fundraising and Board members, or their companies, routinely make contributions to the Organization. During the years ended June 30, 2022 and 2021, contributions received from Board members and their related companies, totaled \$1,214,098 and \$589,567, respectively.

The Organization receives a significant portion of its support from a Board member's foundation. This funding is received through general contributions and supports operations of the Organization. During the years ended June 30, 2022 and 2021, the Organization received \$270,000 (22% of all related party revenue and support) and \$300,000 (51% of all related party revenue and support), respectively, in contributions from this donor.

(13) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 313,683	\$ 329,748
Accounts receivable	<u>43,027</u>	<u>25,043</u>
	<u>\$ 356,710</u>	<u>\$ 354,791</u>

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Liquidity and Availability (continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has several sources of liquidity at its disposal, including cash and cash equivalents and accounts receivable.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization strives to maintain liquid cash reserves sufficient to cover 45 days of general expenditures. General expenditures include administrative and operating expenses.

(14) Special Events

The Organization holds special events sponsored by other independent organizations over which the Organization has no control. Hence, the net proceeds received should be reported as support. Special events consisted of the following:

	<u>2022</u>	<u>2021</u>
New York City Event (Sueños):		
Revenue	\$ 132,420	\$ 201,661
In-kind revenue	25,350	23,025
Less:		
Direct expenses	(71,081)	(17,809)
In-kind expenses	<u>(25,350)</u>	<u>(23,025)</u>
	<u>61,339</u>	<u>183,852</u>
 Santo Domingo Event:		
Revenue	10,055	-
In-kind revenue	22,350	12,050
Less:		
Direct expenses	(5,549)	(2,651)
In-kind expenses	<u>(22,350)</u>	<u>(12,050)</u>
	<u>4,506</u>	<u>(2,651)</u>
 Total special events	<u>\$ 65,845</u>	<u>\$ 181,201</u>

(15) COVID-19 Relief

In March 2021, the Organization received a loan of \$9,375, respectively, under the Paycheck Protection Program issued by the Small Business Administration. Management received notification they have met all qualifications to receive full forgiveness of the loan, therefore, funds were recognized as income on the accompanying statements of activities for the year ended June 30, 2021.