

TOMORROW CLUBS INTERNATIONAL, INC.

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Tomorrow Clubs International, Inc.

### Opinion

We have audited the accompanying financial statements of Tomorrow Clubs International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of Tomorrow Clubs International, Inc., as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Tomorrow Clubs International, Inc., 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.

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 Tomorrow Clubs International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 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 Tomorrow Clubs International, Inc.'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 Tomorrow Clubs International, Inc.'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.

Respectfully submitted,

*Lewis, Kisch & Associates, Ltd.*

May 17, 2024

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,746,233	\$ 285,227
Prepaid Expenses	474	3,966
Contributions Receivable	2,075	
Short-Term Investments	562,232	814,394
Total Current Assets	<u>2,311,014</u>	<u>1,103,587</u>
<u>Other Assets</u>		
Investment in HOPE Ukraine		214,000
Total Assets	<u>\$ 2,311,014</u>	<u>\$ 1,317,587</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 8,565	\$ 3,956
Payroll Taxes Payable	5,171	4,376
Grants Payable	3,500	
Note Payable		200,000
Total Current Liabilities	<u>17,236</u>	<u>208,332</u>
<u>Net Assets</u>		
Without Donor Restrictions	2,291,703	1,109,255
With Donor Restrictions	2,075	
Total Net Assets	<u>2,293,778</u>	<u>1,109,255</u>
Total Liabilities and Net Assets	<u>\$ 2,311,014</u>	<u>\$ 1,317,587</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>Revenues and Support</u>		
Individual Contributions	\$ 3,288,968	\$ 2,765,380
Mission Trip Sponsorships		5,650
Foundation Contributions	4,044	2,452
Investment Income	72,513	13,716
Realized and Unrealized Gains (Losses)	2,838	(47,983)
Total Revenues and Support	<u>3,368,363</u>	<u>2,739,215</u>
<u>Expenses</u>		
Program Services	1,971,325	2,244,401
Management and General	123,432	115,018
Fundraising	91,158	81,488
Total Expenses	<u>2,185,915</u>	<u>2,440,907</u>
Change in Net Assets Without Donor Restrictions	<u>1,182,448</u>	<u>298,308</u>
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>		
<u>Revenues and Support</u>		
Individual Contributions	2,075	
Total Revenues and Support	<u>2,075</u>	
Change in Net Assets with Donor Restrictions	<u>2,075</u>	
Total Change in Net Assets	<u>1,184,523</u>	<u>298,308</u>
Total Net Assets, Beginning of Year	1,109,255	810,947
Total Net Assets, End of Year	<u><u>\$ 2,293,778</u></u>	<u><u>\$ 1,109,255</u></u>

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			
	Program Services	Management and General	Fundraising	Total
Program Funding	\$ 522,838			\$ 522,838
War Relief Funding	1,200,151			1,200,151
Contract Services	55,431	\$ 800	\$ 88,400	144,631
Salary and Wages	103,355	69,405		172,760
Conferences and Meetings	32,363			32,363
Credit Card Processing Fees		19,358		19,358
Payroll Taxes	8,029	5,432		13,461
Travel	28,376			28,376
Employee Benefits	7,460	462		7,922
Bank Charges and Fees	7,803	1,799		9,602
Marketing and Promotion		10,534	2,758	13,292
Telephone and Internet	402	1,826		2,228
Postage and Delivery		210		210
Office Supplies and Software	1,001	1,561		2,562
Computers and Office Equipment	286	252		538
Donor Relations		301		301
State Registrations		1,095		1,095
Training and Staff Development	3,720			3,720
Payroll Services		480		480
Website and Hosting	110	1,312		1,422
Accounting and Legal		8,605		8,605
Other Expenses				
Total Expenses	<u>\$ 1,971,325</u>	<u>\$ 123,432</u>	<u>\$ 91,158</u>	<u>\$ 2,185,915</u>

	2022			
	Program Services	Management and General	Fundraising	Total
Program Funding	\$ 487,894			\$ 487,894
War Relief Funding	1,566,140			1,566,140
Contract Services	81,405	\$ 1,200	\$ 76,475	159,080
Salary and Wages	46,650	57,800	1,650	106,100
Mission Trips	5,352			5,352
Conferences and Meetings	4,196			4,196
Credit Card Processing Fees		25,395		25,395
Payroll Taxes	3,569	4,865	126	8,560
Travel	25,749	2,014		27,763
Employee Benefits	7,264	223		7,487
Bank Charges and Fees	7,518	1,467		8,985
Marketing and Promotion		4,576	3,237	7,813
Telephone and Internet	603	2,144		2,747
Postage and Delivery		1,247		1,247
Office Supplies and Software	893	2,051		2,944
Computers and Office Equipment	6,489	918		7,407
Donor Relations		1,115		1,115
State Registrations		1,021		1,021
Training and Staff Development	647			647
Payroll Services		397		397
Website and Hosting	32	1,225		1,257
Accounting and Legal		7,360		7,360
Total Expenses	<u>\$ 2,244,401</u>	<u>\$ 115,018</u>	<u>\$ 81,488</u>	<u>\$ 2,440,907</u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 1,184,523	\$ 298,308
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Contributed Short-Term Investments	(15,579)	
Realized and Unrealized (Gains) Losses on Investments	(2,838)	47,983
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	3,492	(1,130)
Contributions Receivable	(2,075)	
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	4,609	(92)
Payroll Taxes Payable	795	20
Grants Payable	3,500	
Net Cash from (Used in) Operating Activities	1,176,427	345,089
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchases of Short-Term Investments	(116,000)	(320,001)
Withdrawals of Short-Term Investments	400,579	
Net Cash from (Used in) Investing Activities	284,579	(320,001)
Net Increase (Decrease) in Cash	1,461,006	25,088
Cash and Cash Equivalents, Beginning of Year	285,227	260,139
Cash and Cash Equivalents, End of Year	\$ 1,746,233	\$ 285,227
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Decrease in Note Payable in Exchange for Investment in HOPE Ukraine	\$ 200,000	

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

**1. Organization**

Tomorrow Clubs International, Inc. (“Tomorrow Clubs” or the “Organization”), began in 1997 as part of HOPE International’s outreach programming in Ukraine. The Organization became a separate entity in 2016, committed to fulfilling the Great Commission by helping children learn to follow Jesus.

The Organization partners with local churches to provide long-term discipleship for children and teenagers in underserved communities through a network of weekly bible clubs. Each club is run by volunteers from a local church as an outreach to the community with the goal of connecting children and their families to the local congregation.

Attendees memorize scripture and learn biblical principles as they work through the Tomorrow Clubs’ curriculum. Enduring relationships are formed as leaders teach valuable life skills in hobby classes. Many of the 3,414 volunteer Tomorrow Club leaders are former club members who are now investing in the next generation.

Supported by charitable contributions and sponsorship of mission trips, the Organization serves more than 22,000 children and teens, mostly from unchurched families. About 900 clubs meet weekly, often in remote villages where there is little if any opportunity to hear the Gospel. The Organization works in twelve countries – Albania, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Romania, Russia, Serbia, Ukraine, Zimbabwe, and South Africa.

**2. Summary of Significant Accounting Policies**

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to not-for-profit organizations. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the 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 without donor restrictions may be designated for specific purposes by action of the board of directors.

At December 31, 2022, funds totaling \$270,939 were board-designated for Ukraine war relief efforts.

*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 a 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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire 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 statements of activities as net assets released from restrictions.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all cash and highly liquid financial instruments with original maturities of three months or less that are neither held nor restricted by donors for long-term purposes to be cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

**2. Summary of Significant Accounting Policies (Continued)**

Short-Term Investments – The Organization records short-term investment purchases at cost, or if donated, at fair market value at the date of donation. Thereafter, short-term investments are reported at their fair values on the statements of financial position. Investment income is reported on the statements of activities and consists of interest and dividend income, less investment management and custodial fees. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. There were no investment management and custodial fees during the years ended December 31, 2023 and 2022.

Property and Equipment – Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Purchases of less than \$1,000 are expensed in the year purchased. Depreciation is computed using the straight-line method and charged to expense over the estimated useful lives of the assets. Costs of maintenance and repairs that do not improve or extend the useful life of the respective assets are expensed currently. As of December 31, 2023 and 2022, the Organization had no capitalized property or equipment.

Other Investments – The Organization reported its investment in HOPE Ukraine at cost at December 31, 2022, as its fair value was not practicably estimable. See Note 5 for more information regarding this investment.

Revenues and Revenue Recognition – The Organization recognizes contributions and sponsorships when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor stipulations for their use.

In-Kind Services – The Organization is supported primarily through contributions from individuals and foundations. Additionally, the Organization receives a substantial amount of services donated by volunteers in carrying out its ministry. Donated services are recognized at fair value if the services meet the recognition criteria prescribed by generally accepted accounting principles, which include: a) requiring specialized skills; b) being provided by someone with those skills; and c) would have to be purchased if they were not donated. No amounts have been reflected in the financial statements for donated services because they do not meet the requirements for recognition in the financial statements.

Advertising – Advertising costs, including marketing and promotion, are expensed as incurred.

Functional Allocation of Expenses – The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and similar state statutes and is not considered a private foundation. Management has evaluated for uncertain tax positions and has determined there are no uncertain tax positions as of December 31, 2023. Tax returns for the past three years remain open for examination by tax jurisdictions.

Estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk – Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash and cash equivalents. The Organization's cash and cash equivalents balances have been placed with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. The Organization closely monitors these balances and has not experienced credit losses.

Subsequent Events – Management has performed an evaluation of subsequent events through May 17, 2024, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

**3. Liquidity and Availability**

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, comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,746,233	\$ 285,227
Contributions receivable	2,075	
Short-term investments	<u>562,232</u>	<u>814,394</u>
Total financial assets available for expenditure within one year	<u>\$ 2,310,540</u>	<u>\$ 1,099,621</u>

The board of directors has a policy to keep a minimum of 10% of the annual budget on hand in operating accounts. The Organization holds the excess in interest-bearing money market and brokerage accounts. At December 31, 2023 and 2022, the total balances in interest-bearing accounts were \$1,566,831 and \$14,413, respectively.

**4. Fair Value Measurements and Disclosures**

The Organization reports certain assets at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, management develops inputs using the best information available in the circumstances.

The Organization's short-term investments are classified within Level 1 because they are comprised of mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis as of December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
		<u>2023</u>		
Mutual funds – Bonds	\$ 346,248			\$ 346,248
Mutual funds – Equity	215,984			215,984
Total	<u>\$ 562,232</u>			<u>\$ 562,232</u>
		<u>2022</u>		
Mutual funds – Bonds	\$ 612,088			\$ 612,088
Mutual funds – Equity	202,306			202,306
Total	<u>\$ 814,394</u>			<u>\$ 814,394</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

**5. Investment in HOPE Ukraine**

In August 2018, a related organization contributed \$16,000 of equity in HOPE Ukraine to Tomorrow Clubs. In September 2018, Tomorrow Clubs purchased an additional \$198,000 of equity in HOPE Ukraine. HOPE Ukraine is a microfinance institution registered as a Finance Company, a for-profit limited-liability company, with the Ukraine State Regulatory Committee of Markets of Financial Services.

The investment in HOPE Ukraine is considered an activity in line with Tomorrow Clubs' mission, as HOPE Ukraine is a key source of funding and other resources for the Organization's ministry in Ukraine.

The Organization has determined that it is not practicable to estimate the fair value of this investment. Although the Organization expects that the events described in Note 11 have had a significant adverse effect on this investment, this effect is not practicably estimable at this time. Therefore, the fair value of Tomorrow Clubs' investment in HOPE Ukraine is not estimated, and the investment is reported at cost on the statement of financial position at December 31, 2022.

During the year ended December 31, 2023, the Organization sold its investment in HOPE Ukraine back to the related organization, in exchange for a full write-off of the note payable to the related organization, described in Note 6.

**6. Note Payable**

On May 16, 2018, the Organization entered into a credit agreement with a related organization. The related organization loaned Tomorrow Clubs \$200,000 at 0% interest, of which \$198,000 was invested in HOPE Ukraine (described above). There was no stated maturity date for this loan. During the year ended December 31, 2023, Tomorrow Clubs sold its investment in HOPE Ukraine back to the related organization, in exchange for a full write-off of the \$200,000 note payable.

**7. Net Assets with Donor Restrictions**

Net assets with donor restrictions were restricted for the following purposes or periods at December 31, 2023:

Subject to the passage of time:	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 2,075
Total	<u>\$ 2,075</u>

There were no net assets with donor restrictions at December 31, 2022.

**8. Functionalized 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. Many expenses of the Organization are directly allocable to one program or supporting service. Other expenses, which include salaries and wages, payroll taxes, and telephone and internet, are allocated based on estimates of time and effort determined by management.

**9. Related-Party Transactions**

At December 31, 2022, the Organization had a \$200,000 note payable to an organization with whom Tomorrow Clubs shares a number of board members. Information regarding this note is detailed in Note 6.

Additionally, during the year ended December 31, 2022, the Organization contracted with a board member to provide services related to program oversight and mission trips. The Organization paid this individual \$14,400 for services provided in 2022.

During the year ended December 31, 2022, the Organization contracted with a relative of a board member for program services. The Organization paid this individual \$14,000 for services provided in 2022.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

**9. Related-Party Transactions (Continued)**

During the year ended December 31, 2023, the Organization employed another relative of a board member. The Organization paid this individual \$36,000 in 2023. During the year ended December 31, 2022, the Organization paid \$15,000 to this individual for services performed as an independent contractor.

**10. Concentrations**

During the years ended December 31, 2023 and 2022, contributions from one organization constituted 71% and 54% of the Organization's total revenue, respectively.

During the years ended December 31, 2023 and 2022, contributions to one organization comprised 38% and 56% of the Organization's total expenses, respectively. Discontinuation of the Organization's support of this entity could significantly affect the Organization's operations.

**11. Uncertainties**

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to considerable economic uncertainty, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

On February 24, 2022, Russia launched a full-scale invasion of Ukraine, interrupting the Organization's programming there. In response to the war, Tomorrow Clubs partnered with hundreds of local churches to provide relief for internally displaced persons including food, shelter, medications, and transportation. Normal program activities in Ukraine contracted by about 20% during the year ended December 31, 2022, due to club closures in areas of combat. Normal program activities recovered significantly during the year ended December 31, 2023, but the duration and cumulative effect of the war on the Organization's operations are not reasonably estimable.