

# **THE GRATITUDE INITIATIVE**

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

**DECEMBER 31, 2024**

**Mosel & Ginn, PLLC**  
*Certified Public Accountants*

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*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Gratitude Initiative  
Red Oak, TX

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Gratitude Initiative (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2024, and the related Statement of Activities, Statement of Functional Expenses, and Statement of 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 Gratitude Initiative as of December 31, 2024, 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 Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of The Gratitude Initiative 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.

### **Management's Responsibility 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 Gratitude Initiative'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 Responsibility 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 The Gratitude Initiative'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 Gratitude Initiative'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.

*Aul ? Ginn, PLLC*

Plano, Texas  
May 7, 2025

**THE GRATITUDE INITIATIVE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2024**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 471,847
Contributions receivable	-
Prepaid expenses	251
Total current assets	<u>472,098</u>
Property and equipment, net	<u>1,184</u>
Total assets	<u><u>\$ 473,282</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 51,083
Accrued expenses	2,628
Total current liabilities	<u>53,711</u>
Net assets	
Without donor restrictions	292,671
With donor restrictions	126,900
Total net assets	<u>419,571</u>
Total liabilities and net assets	<u><u>\$ 473,282</u></u>

**SEE ACCOMPANYING AUDITOR'S REPORT**  
**The accompanying notes are an integral part of these financial statements**

**THE GRATITUDE INITIATIVE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenue, support, and gains			
Indirect public support	\$ 450,000	\$ -	\$ 450,000
Direct public support	183,322	245,000	428,322
Interest income	5,261	-	5,261
In-kind contributions	4,500	-	4,500
Net assets released from restrictions	323,000	(323,000)	-
Total revenue, support, and gains	966,083	(78,000)	888,083
Expenses and losses			
Program services	926,563	-	926,563
Fundraising	51,388	-	51,388
Management & general	31,353	-	31,353
Total expenses and losses	1,009,304	-	1,009,304
<b>Change in net assets</b>	<b>\$ (43,221)</b>	<b>\$ (78,000)</b>	<b>\$ (121,221)</b>
Net assets, beginning of year	335,892	204,900	540,792
<b>Net assets, end of year</b>	<b>\$ 292,671</b>	<b>\$ 126,900</b>	<b>\$ 419,571</b>

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**THE GRATITUDE INITIATIVE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Program services	Supporting services		Total
		Fundraising	Management & general	
Enrollment fees	\$ 775,900	\$ -	\$ -	\$ 775,900
Program administrator fee	85,000	-	-	85,000
Outside services	27,227	32,967	1,020	61,214
Legal and professional fees	-	3,483	24,822	28,305
Travel	15,774	10,463	-	26,237
Scholarships	11,175	-	-	11,175
Dues and subscriptions	8,985	321	1,317	10,623
Advertising	28	3,860	-	3,888
Office supplies	2,474	294	838	3,606
Insurance	-	-	2,018	2,018
Depreciation	-	-	789	789
Bank service charges	-	-	549	549
Total expenses by function	<b>\$ 926,563</b>	<b>\$ 51,388</b>	<b>\$ 31,353</b>	<b>\$ 1,009,304</b>

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**THE GRATITUDE INITIATIVE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

Cash flows from operations:	
Change in net assets	\$ (121,221)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	789
Decrease in contributions receivable	25,000
Decrease in prepaid expenses	2,717
Increase in accounts payable	51,083
Decrease in accrued expenses	(107,028)
Net adjustments	<u>(27,439)</u>
Net cash used by operations	(148,660)
Cash flows from investing activities	-
Cash flows from financing activities	<u>-</u>
Decrease in cash	(148,660)
Cash, beginning of year	<u>620,507</u>
<b>Cash, end of year</b>	<b><u><u>\$ 471,847</u></u></b>

**SEE ACCOMPANYING AUDITOR'S REPORT**  
**The accompanying notes are an integral part of these financial statements**

**THE GRATITUDE INITIATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 1 - BACKGROUND & SIGNIFICANT ACCOUNTING POLICIES**

**General:**

The Gratitude Initiative (“GI”) is a 501(c)(3) tax-exempt non-profit organization founded in 2013. GI has been serving the United States military and law-enforcement families by providing educational programs and scholarships to help their children succeed in college, career, and life. GI enrolls students from 8<sup>th</sup> grade to 12<sup>th</sup> grade into its program and works alongside the families until the students graduate from college, providing up to nine years of support. GI provides the Rightwise Prep College Success Academy Program, free of charge, to the families it serves. GI provides students with comprehensive career and college counseling, PSAT®/SAT®/ACT® test prep, and financial aid counseling in the high school-to-college transition process.

Significant accounting policies employed by GI are described below:

**Basis of Presentation:**

The financial statements of GI have been prepared in accordance with U.S. General Accepted Accounting Principles (“US GAAP”) which require GI to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor-imposed restrictions. These net assets may be used at the discretion of GI’s management and the board of directors.

*Net Assets With Donor Restrictions* – Net assets subject to donor-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. GI reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, 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.

**Estimates, Risks, and Uncertainties:**

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

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**Cash and Cash Equivalents:**

GI considers all cash and highly liquid financial instruments with maturities of three months or less, which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents.

**Contributions Receivable:**

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value which aligns with the guidance provided for not-for-profit entities under ASC 958-605, "Revenue Recognition." Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included in support until the conditions are substantially met. As of December 31, 2024, GI had no contributions receivable. Accordingly, the allowance for estimated uncollectible contributions is \$0 as of December 31, 2024.

**In-kind Contributions and Contributed Services:**

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as both in-kind contribution revenue and offset by a like amount included in expenses. GI recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by US GAAP.

**Property and Equipment:**

Purchases of property and equipment are stated at cost at the date of purchase or, for donated assets, at the fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the double-declining method over the estimated useful lives of the assets.

**Concentrations of Credit Risk:**

Financial instruments that potentially subject GI to concentration of credit risk consist principally of cash deposits. GI maintains bank accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

**Fair Value Measurements:**

Accounting standards require disclosures that categorize assets and liabilities measured at fair value into one of three different levels, depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted

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prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or assumptions about pricing by market participants.

**Contributions:**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor restrictions which aligns with the guidance provided for not-for-profit entities under ASC 958-605, "Revenue Recognition." Contributions that are not restricted by the donor are reported as an increase in net assets without donor restrictions. All other donor restricted donations are reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), 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. Restricted contributions whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions.

**Expense Allocation:**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain categories of expenses are attributable to more than one program service or supporting activity. These expenses require allocation on a reasonable basis that is consistently applied which aligns with the guidance provided for not-for-profit entities concerning joint costs under ASC 958-720-45-2A.

**Income Tax Status:**

GI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the financial statements.

**Advertising Costs:**

Advertising costs are expensed as incurred and totaled \$3,888 during the year ended December 31, 2024.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

From time to time, GI's bank account balances may exceed the FDIC insured limits of \$250,000. GI maintained bank accounts at Bank of America and Frost Bank during 2024. GI has not experienced any loss in such accounts. As of December 31, 2024 GI's bank account balance at Frost Bank exceeded the FDIC insured limit by \$5,548. As of December 31, 2024, GI's bank account balance at Bank of America did not exceed the FDIC insured limit.

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**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Furniture and equipment	\$ 5,477
Software	<u>14,500</u>
Total property and equipment	19,977
Accumulated depreciation and amortization	<u>(18,793)</u>
Property and equipment, net	<u>\$ 1,184</u>

Depreciation expense for the year ended December 31, 2024 was \$789.

**NOTE 4 – ACCOUNTS PAYABLE**

GI works with several vendors to fulfill both program requirements and support services. The total balance of outstanding invoices was \$51,083 as of December 31, 2024.

**NOTE 5 – ACCRUED EXPENSES**

Accrued expenses represent liabilities for costs incurred by GI which have not yet been invoiced or paid as of the reporting date. These obligations include expenses for enrollment fees and various operating expenses. Accrued expenses totaled \$2,628 as of December 31, 2024.

**NOTE 6 – NET ASSETS**

Contributions made to GI may include donor-imposed restrictions. These restrictions allow GI to fund enrollments only for certain subgroups within GI's network. Some donor-imposed restrictions may be 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. Net assets with donor restrictions were as follows for the year ended December 31, 2024:

Specific purpose	\$ 126,900
Passage of time	<u>0</u>
Total	<u>\$ 126,900</u>

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Net assets without donor restrictions for the year ended December 31, 2024 are as follows:

Undesignated	\$ 292,671
Board-designated net assets	<u>0</u>
Total	<u>\$ 292,671</u>

**NOTE 7 – FAIR VALUE MEASUREMENT**

The carrying amounts reported in the balance sheet for current assets and current liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments. These financial instruments are not required to be marked to fair value on a recurring basis. Similarly, GI utilizes the cost method in its measure of fixed assets and believes the carrying amounts reported in the balance sheets for fixed assets are also reasonable estimates of fair value.

**NOTE 8 – LIQUIDITY AND AVAILABILITY**

The following reflects GI's financial assets as of December 31, 2024 reduced by amounts not available for general use, within one year of the date of the Statement of Financial Position:

Cash and cash equivalents	\$ 471,847
Contributions receivable	<u>0</u>
	471,847
Less amounts not available for general expenditure within one year:	
Net assets with donor restrictions	126,900
Less net assets with time restrictions to be met in less than a year	0
Board-designated funds for future use	<u>0</u>
	<u>126,900</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 344,947</u>

**NOTE 9 – CONCENTRATION OF REVENUE SOURCES**

GI predominantly receives contributions from public nonprofits and corporations, with smaller contributions also coming from individual donors. GI relies primarily on support

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from public nonprofits and corporations. During the year ended December 31, 2024 GI received contributions totaling \$877,500 from other nonprofit organizations and corporations.

More than 75% of GI's contributions in 2024 originated from three major donors. GI expects to continue receiving significant contributions from these major donors throughout the year ending December 31, 2025, in addition to contributions from other donors.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2024, GI incurred expenses of \$775,900 for the College Success Academy Program (CSA) and client servicing services received from its affiliate, Rightwise Prep (RWP). Throughout 2024, GI paid between \$2,100 and \$2,200 to RWP for each student enrolled in the CSA. Additionally, GI incurred expenses of \$85,000 with RWP to fund a program coordinator, a separate service offered by RWP. RWP is partially owned by a member of GI's board of directors. The director recused himself from voting in the selection process of using RWP as a vendor and RWP's fees are comparable to or below market rates for similar services. GI also receives volunteer services from personnel of RWP. These in-kind contributions have been described in Note 1 to the financial statements.

As of December 31, 2024, the accounts payable of \$51,083 represent amounts owed by GI to RWP, a related party. As of December 31, 2024, GI accrued for \$2,100 related to student enrollment fees from RWP, a related party, which were not billed to GI during the year.

During the year ended December 31, 2024, GI incurred outside service expenses totaling \$11,841 for the development of social media graphics and communication tools to engage enrolled students. These services were provided by a contractor who is the daughter of a member of the board of directors.

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 7, 2025. There were no material events before the report date that would affect the interpretation of these financial statements.