



**Consolidated Financial Statements
and Independent Auditors' Reports**

Alfalit International, Inc.

December 31, 2023 and 2022

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HERNANDEZ & TACORONTE, P.A.

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Alfalit International, Inc.

Report on the Audit of Financial Statements

Opinion

We have audited the consolidated financial statements of Alfalit International, Inc., which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alfalit International, Inc. as of December 31, 2023 and 2022, and the results of its operations 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Alfalit 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 consolidated 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 consolidated 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 Alfalit 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 and *Government 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 Alfalit 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 Alfalit 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.

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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis 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 November 13, 2024 on our consideration of Alfalit International, Inc.'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 the Alfalit International, Inc.'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 Alfalit International, Inc.'s internal control over financial reporting and compliance.

Miami, Florida
November 13, 2024

Henry J. Greenberg, P.A.

Alfalit International, Inc.
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 1,822,495	\$ 1,823,006
Certificate of deposit	55,200	55,200
Unconditional promises to give	-	6,615
Accounts receivable	621,173	270,423
Employee advances	29,450	29,243
Program materials	199,349	212,401
Prepaid expenses	-	991
Total current assets	<u>2,727,667</u>	<u>2,397,879</u>
Property and equipment, net	<u>48,169</u>	<u>62,283</u>
Total assets	<u><u>\$ 2,775,836</u></u>	<u><u>\$ 2,460,162</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 54,753	\$ 27,955
Grant and contract advances	-	28,354
SBA loan payable - current maturities	<u>3,753</u>	<u>3,651</u>
Total current liabilities	58,506	59,960
SBA loan payable	<u>141,192</u>	<u>144,946</u>
Total liabilities	199,698	204,906
Net assets		
Without donor restrictions	2,543,184	2,222,302
With donor restrictions	<u>32,954</u>	<u>32,954</u>
Total net assets	<u>2,576,138</u>	<u>2,255,256</u>
Total liabilities and net assets	<u><u>\$ 2,775,836</u></u>	<u><u>\$ 2,460,162</u></u>

The accompanying notes are an integral part of these statements

Alfalit International, Inc.
Consolidated Statements of Activities
For the year ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Unrestricted Net Assets		
Unrestricted Support and Revenue:		
Contributions	\$ 2,551,050	\$ 2,293,852
Grants and contracts	1,172,032	1,037,750
Special fundraising events revenue	743,581	826,446
Less: Cost of direct benefits to donors	<u>(304,011)</u>	<u>(287,601)</u>
Net revenue from special events	<u>439,570</u>	<u>538,845</u>
In-kind contributions	10,719	20,026
Other revenue - ERC	78,246	-
Interest and other income	<u>31,453</u>	<u>7,558</u>
Total unrestricted support and revenue	4,283,070	3,898,031
Expenses:		
Program services	3,697,017	3,235,000
General and administrative	218,482	207,751
Fundraising	<u>46,689</u>	<u>134,935</u>
Total expenses	3,962,188	3,577,686
Change in unrestricted net assets	320,882	320,345
Restricted Net Assets		
Restricted Support and Revenue:		
Contributions	-	-
Net assets released from restrictions	<u>-</u>	<u>-</u>
Change in restricted net assets	-	-
Net assets at January 1,	<u>2,255,256</u>	<u>1,934,911</u>
Net assets at December 31,	<u>\$ 2,576,138</u>	<u>\$ 2,255,256</u>

The accompanying notes are an integral part of these statements

Alfalit International, Inc.
Consolidated Statements of Cash Flows
For the year ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Increase (Decrease) in Cash:		
Cash Flows from Operating Activities		
Change in net assets	\$ 320,882	\$ 320,345
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Depreciation expense	14,114	14,114
Changes in assets and liabilities:		
(Increases) Decreases:		
Accounts receivable	(350,750)	(220,843)
Unconditional promises to give	6,615	15,885
Employees advances	(207)	(16,647)
Prepaid expenses	991	(991)
Program materials and supplies	13,052	42,882
Increases (Decreases):		
Accounts payable	26,798	(21,163)
Grant and contract advances	<u>(28,354)</u>	<u>28,354</u>
Net cash provided by operating activities	3,141	161,936
Cash Flows from Financing Activities		
Certificate of deposit	-	(132)
SBA loan repayments	<u>(3,652)</u>	<u>(3,553)</u>
Net cash used in financing activities	(3,652)	(3,685)
 Net Increase (Decrease) in Cash	 (511)	 158,251
Cash at January 1,	<u>1,823,006</u>	<u>1,664,755</u>
Cash at December 31,	<u>\$ 1,822,495</u>	<u>\$ 1,823,006</u>
 <u>Supplemental disclosures of cash flows information:</u>		
Interest paid	<u>\$ 4,040</u>	<u>\$ 4,140</u>

The accompanying notes are an integral part of these statements

Alfalit International, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2023

	Program Services	Supporting Services			Total
	Total Program Services	General and administrative	Fundraising	Subtotal	
<u>Operating expenses:</u>					
Salaries	\$ 1,838,419	\$ 40,002	25,002	\$ 65,004	\$ 1,903,423
Payroll taxes	80,122	3,072	1,913	4,985	85,107
Employee benefits	162,119	9,236	7,042	16,278	178,397
Professional fees	207,803	-	-	-	207,803
Vehicles	80,915	-	-	-	80,915
Repairs and maintenance	61,292	25,595	-	25,595	86,887
Books and supplies	280,826	16,718	-	16,718	297,543
Telephone	24,237	5,078	-	5,078	29,315
Postage	2,134	241	-	241	2,376
Freight	25,705	-	-	-	25,705
Occupancy cost	99,752	51,057	-	51,057	150,809
Seminars and training	192,381	12,717	-	12,717	205,098
Travel	146,404	-	5,633	5,633	152,037
Depreciation	-	14,114	-	14,114	14,114
In-kind	10,719	-	-	-	10,719
Other	484,188	40,652	7,099	47,751	531,939
Total functional expenses	\$ 3,697,017	\$ 218,482	\$ 46,689	\$ 265,171	\$ 3,962,188

The accompanying notes are an integral part of this statement

Alfalit International, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2022

	Program Services	Supporting Services			Total
	Total Program Services	General and administrative	Fundraising	Subtotal	
<u>Operating expenses:</u>					
Salaries	\$ 1,555,351	\$ -	70,286	\$ 70,286	\$ 1,625,637
Payroll taxes	91,371	-	6,327	6,327	97,698
Employee benefits	168,947	-	13,569	13,569	182,516
Professional fees	127,388	62,477	23,078	85,555	212,943
Vehicles	81,844	-	-	-	81,844
Repairs and maintenance	25,090	15,092	-	15,092	40,181
Books and supplies	407,092	16,721	-	16,721	423,813
Telephone	22,109	3,379	-	3,379	25,488
Postage	5,864	1,449	-	1,449	7,313
Freight	34,430	-	-	-	34,430
Occupancy cost	138,056	50,163	-	50,163	188,218
Seminars and training	75,101	7,154	-	7,154	82,255
Travel	112,695	-	8,577	8,577	121,272
Philanthropic support	4,570	-	-	-	4,570
Depreciation	-	14,114	-	14,114	14,114
In-kind	20,026	-	-	-	20,026
Other	365,066	37,203	13,099	50,302	415,368
Total functional expenses	\$ 3,235,000	\$ 207,751	\$ 134,935	\$ 342,686	\$ 3,577,686

The accompanying notes are an integral part of this statement

Alfalit International, Inc.
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 1 – Organization

Alfalit International, Inc. was established in Florida in 1975 as a faith-based grassroots movement dedicated to advancing global literacy. Our mission centers around uplifting the less privileged by equipping them with vital reading and writing skills. Our comprehensive programs encompass literacy, adult education, preschool education, health, nutrition, and community development. Operating in 17 countries across four continents, including the United States of America, Alfalit has been making a significant impact. In 2023, Alfalit served 60,443 adult students, with 62% being women, covering areas such as literacy, basic education, ACE (Adult Continuing Education), and microcredit; 5,313 preschool children, providing them with a foundational education; 2,296 job skills students, empowering them with valuable employment skills; and distributing 24,300 meals to those in need.

Alfalit offers its methodology, training, and literacy materials in various languages, including Spanish, English, Portuguese, Haitian Creole, French, and various indigenous languages. Operating in 17 countries, Alfalit manages projects directly, shares its Alfalit program materials, and collaborates with like-minded organizations sharing similar missions. Our dedicated volunteer teachers, well-trained by Alfalit, have empowered millions of individuals to acquire the invaluable skill of reading and writing through a straightforward yet highly effective approach. The impact of Alfalit's methodology and educational programs extends far and wide, earning recognition both on a national and international scale. Notably, in 1983, UNESCO awarded Alfalit's program in Peru with the prestigious First Prize in Adult Literacy. In 1992, special recognition was bestowed upon Alfalit's programs in Guatemala. Furthermore, in September 2006, Alfalit gained recognition for its efforts in Bolivia at the inaugural White House Conference on Global Literacy. In 2011, President Barack Obama honored Alfalit's Board President Emeritus, Roberto Perez, with the 2011 Presidential Citizens Medal in tribute to his role in bestowing the gift of literacy upon communities worldwide.

Alfalit Realty Holdings, Inc. was incorporated in Florida in 2002 for the purpose of owning certain real property used by Alfalit International, Inc.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Alfalit International, Inc. and Alfalit Realty Holdings, Inc. The financial statements of these organizations have been consolidated because they have overlapping Board of Directors. All significant inter-entity balances and transactions have been eliminated from the consolidated financial statements.

Financial Statement Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Under these principles, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Alfalit and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Alfalit. Its board of directors may designate assets without restrictions for specific operational purposes from time to time.

Alfalit International, Inc.
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies - Continued

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Alfalit or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Alfalit has defined cash and cash equivalents as those highly liquid investments purchased with an original maturity of three months or less. Financial instruments which potentially subject Alfalit to concentrations of credit risk consists principally of bank deposits in excess of federally insured limits. At December 31, 2023 and 2022, Alfalit maintained cash deposits with national banks in excess of the limits insured by the Federal Deposit Insurance Corporation. Alfalit does not believe it is exposed to any significant credit risk associated with its bank accounts.

Program Materials and Supplies

Program materials and supplies consist of books and other teaching materials acquired by Alfalit for use in teaching participants to read, write, and do basic math. Program materials and supplies are stated at cost.

Unconditional Promises to Give

Contributions and pledges are recorded as receivables in the year made, net of estimated uncollectible amounts and discounts.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to compute depreciation range from 5 years to 31 years. Donated property and equipment are recorded at their estimated fair market value at the date of donation. Alfalit capitalizes property and equipment costing over \$1,000. Lesser amounts are expensed. Costs of major additions and improvements that extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Leases

Alfalit determines if a contract is a lease or contains a lease at inception. Right-of-use assets related to operating type leases are reported as noncurrent assets and the present value of the remaining lease obligations are reported as current and noncurrent liabilities on the balance sheet as required. For the periods presented, Alfalit did not have any operating or financing type leases.

Alfalit International, Inc.
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies - Continued

Revenue and Revenue Recognition

Support and Revenue

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

In-kind contributions of donated non-cash assets are recorded at their fair value in the period received. They consist primarily of volunteer services, donated books, facilities and supplies. Alfalit only records the value of donated services for field personnel, classrooms and materials for Bolivia supported operations, but it is estimated that there are over 6,500 additional facilitators in the field donating services to Alfalit in Central America, Latin America, Africa, Europe, and the Caribbean that have not been accounted for.

Donations, ticket sales, auction sales and sponsorships revenues related to special events are recognized when the events take place net of the costs of direct donor benefits that are not program related costs and are provided in exchange transactions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For the year ended December 31, 2023, general and administrative expenses represented 5.1% of total support and revenues.

Income Taxes

Alfalit International, Inc. is a nonprofit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. Accordingly, a provision for income taxes is not required as of December 31, 2023.

Alfalit Realty Holdings, Inc has been granted an exemption from income taxes under Internal Revenue Code 501(c)(2) for the purpose of holding title to property. Accordingly, a provision for income taxes is not required as of December 31, 2023.

Alfalit International, Inc.
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies - Continued

Management's Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at December 31, 2023 and 2022 and the reported amounts of revenue and expenses during the year then ended. Actual results could differ from those estimates.

Note 3 - Net Assets - With Donor Restrictions

Donor restricted net assets consist of the following as of December 31, 2023 and 2022:

Not subject to appropriation or expenditure:

Original donor-restricted gift amounts required to be held indefinitely	<u>\$32,954</u>
Total net assets with donor restrictions	<u>\$32,954</u>

Note 4 - Accounts Receivable

At December 31, 2023 and 2022, accounts receivable consisted of contracts receivable. Alfalit considers accounts receivable to be fully collectible; accordingly, an allowance for doubtful accounts is not required. Any amounts that become uncollectible will be charged to operations when that determination is made.

Note 5 - Property and Equipment

Property and equipment consisted of the following, at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 300,388	\$ 300,388
Furniture and equipment	9,367	9,367
Software	4,270	4,270
	<u>314,025</u>	<u>314,025</u>
Accumulated depreciation	265,856	251,742
	<u>\$ 48,169</u>	<u>\$ 62,283</u>

Alfalit recorded depreciation expense of \$14,114 for the year ended December 31, 2023.

Note 6 – Related Party Transactions

The total contributions of \$2,551,050 received in 2023 included \$1,881,566 contributed by Board members which represents approximately 74% of total contributions received.

Alfalit International, Inc.
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 7 – Revenue and Other Support

For the year ended December 31, 2023, Alfalit had total gross support and revenue of \$4,283,070 of which \$1,881,566 was received from Board members. The support received from Board members represented approximately 44% of the total support and revenue for the year.

Note 8 – Government Grants and Contracts

During 2023, Alfalit provided educational and other services in Haiti and the Democratic Republic of Congo under a cooperative agreement and a subaward funded by the U.S. Agency for International Development (USAID). Alfalit derived revenues totaling \$1,172,023 from the program services provided.

The programs are subject to audit in accordance with the provisions of the USAID. Any disallowed costs, including amounts already collected, may constitute a liability of Alfalit. In the opinion of management, all financial assistance was awarded in compliance with applicable regulations and contract provisions.

Note 9 - Special Events

Special events generate revenue for Alfalit as well as raise awareness about its mission. Some events are annual and some are incidental to Alfalit's central activities and do not happen regularly. Revenues from special events are disclosed net of related expenses in the accompanying Statement of Activities. In 2023 and 2022, Alfalit held its annual galas, the major annual event. The revenues from the annual galas and other special events were:

	<u>2023</u>	<u>2022</u>
<u>Revenues from special events:</u>		
Sponsorship contributions	\$ 187,520	\$ 103,000
Special events revenue	556,061	723,446
Less: cost of direct benefits to donors	(304,011)	(287,601)
Subtotal	252,050	435,845
Net special events revenues	<u>\$ 439,570</u>	<u>\$ 538,845</u>

Note 10 – Liquidity and Availability

Alfalit regularly monitors liquidity required to meet its operating needs and other contractual requirements. At December 31, 2023 and 2022, the following assets could be readily available within one year to meet general expenditures:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,822,495	\$ 1,823,006
Certificate of deposit	55,200	55,200
Unconditional promises to give	-	6,615
Accounts receivable	621,173	270,423
Employee advances	29,450	29,243
	<u>\$ 2,528,318</u>	<u>\$ 2,184,487</u>

Alfalit International, Inc.
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 11 – Other Revenue - ERC

In 2023, Alfalit received \$78,246 under the Employee Retention Credit program (ERC). The ERC program provides refundable tax credits for businesses and other entities that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021. ERC claims are subject to potential examination by the Internal Revenue Service for five years after filing.

Note 12 – SBA Loan Payable

In May 2020, the Small Business Administration awarded a \$150,000 loan to Alfalit under the COVID Economic Injury Disaster Loan (EIDL) program. The loan bears interest at interest at 2.75% and is payable in 360 monthly installments of \$641, including principal and interest. The loan matures in May 2050 and is collateralized by substantially all of Alfalit's tangible and intangible assets. All remaining principal and accrued interest is due and payable at maturity.

Principal payments and accrued interest due at December 31, 2023	\$ 144,945
Less current maturities	<u>3,753</u>
	<u><u>\$ 141,192</u></u>

Principal payments on the loan payable are due as follows:

For the years ending December 31,

2024	\$ 3,753
2025	3,857
2026	3,965
2027	4,075
2028	4,188
Thereafter	<u>125,107</u>
	<u><u>\$ 144,945</u></u>

Note 13 – Subsequent Events

In preparing the financial statements, Alfalit has evaluated events and transactions for potential recognition or disclosure through November 13, 2024, the date the financial statements were available to be issued.

Alfalit International, Inc.
Summary of Auditors' Results
For the Year Ended December 31, 2023

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section
200.516(a)? No

Major programs:

98.001 USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No



HERNANDEZ & TACORONTE, P.A.

Certified Public Accountants

**Independent Auditors' 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**

To the Board of Directors of
Alfalit International, Inc.

We have audited, in accordance with the 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 Alfalit International, Inc. which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alfalit's internal control over financial reporting (internal control) as a basis for designing audit 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 Alfalit's internal control. Accordingly, we do not express an opinion on the effectiveness of Alfalit'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

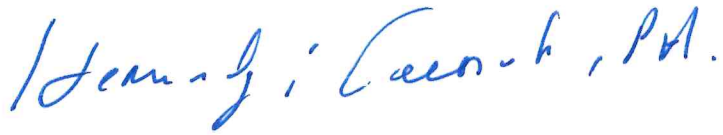
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

A handwritten signature in blue ink, reading "Henry J. Leach, P.A.", is positioned to the right of the date and location text.

Miami, Florida
November 13, 2024



HERNANDEZ & TACORONTE, P.A.

Certified Public Accountants

**Independent Auditors' Report on Compliance for each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors of
Alfalit International, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Alfalit International, Inc.'s 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 Alfalit International, Inc.'s major federal programs for the year ended December 31, 2023. Alfalit International, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Alfalit International, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Alfalit 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 Alfalit's compliance with the compliance requirements referred to above.

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 Alfalit International, Inc.'s federal programs.

Auditors' Responsibilities 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 Alfalit'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will not 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 Alfalit's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Alfalit'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 Alfalit'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 Alfalit'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.

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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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.

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



Miami, Florida
November 13, 2024

Alfalit International, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

<u>Federal Grantor/Pass-through Grantor/Program/Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Subaward Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
US Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001	n/a	n/a	\$ -	\$ 192,809
Pass-through from:					
Education Development Center, Inc.					
USAID Foreign Assistance for Programs Overseas	98.001	800078701	2022-0006	-	979,223
				<u>\$ -</u>	<u>\$ 1,172,032</u>

See accompanying notes to the schedule of expenditures of federal awards

Alfalit International, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Alfalit International, Inc. under programs of the federal government for the year ended December 31, 2023. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Alfalit, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Alfalit.

Note B - Summary of Significant Accounting Policies

Expenditures reported 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.

Note C - Indirect Cost Rate

Alfalit elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.