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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS
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TAILORED FOR EDUCATION, INC.

Financial Statements

Year Ended December 31, 2021

<u>Mission Statement</u>

Working to increase school enrollment in impoverished areas of the word by providing children with school uniforms.

www.tailoredforeducation.org

TAILORED FOR EUCATION, INC.

Financial Statements

Year Ended December 31, 2021

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Independent Auditors' Report

To the Board of Directors
Tailored for Education, Inc.
Boston, Massachusetts

Opinion

We have audited the accompanying financial statements of Tailored for Education, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tailored for Education, Inc. as of December 31, 2021, and the changes in 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 Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tailored for Education, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tailored for Education, 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 Tailored for Education, 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 Tailored for Education, 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.

Report on Summarized Comparative Information

We have previously audited Tailored for Education, Inc.’s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RAE & Associates, LLC

RAE & Associates, LLC
Braintree, Massachusetts
November 11, 2022

TAILORED FOR EDUCATION, INC.

Statement of Financial Position

As of December 31, 2021

(with comparative totals as of December 31, 2020)

		2021		2020
Assets				
Cash and cash equivalents	$	630,550	$	388,320
Certificates of deposit		214,817		212,425
Grants and contributions receivable		252,772		237,501
Merchandise inventory		23,938		24,161
Property and equipment, net		3,837		1,364
Total assets	$	1,125,914	$	863,771
Liabilities:				
Accounts payable	$	5,500	$	2,300
Total Liabilities		5,500		2,300
Net assets:				
Without donor restrictions		1,120,414		861,471
Total net assets		1,120,414		861,471
Total liabilities and net assets	$	1,125,914	$	863,771

TAILORED FOR EDUCATION, INC.

Statement of Activities

For the Year Ended December 31 2021

(with comparative totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenue and support:				
Contributions and grants	$ 868,609	$ -	$ 868,609	$ 648,176
Contributed goods and services	40,000	-	40,000	35,000
Interest income	2,392	-	2,392	4,788
Sales of merchandise goods and products	293	-	293	885
Total revenue and support	911,294	-	911,294	688,849
Expenses				
Program expenses	569,828	-	569,828	405,541
Fundraising expenses	43,720	-	43,720	47,525
General and administration	38,803	-	38,803	27,337
Total expenses	652,351	-	652,351	480,403
Change in net assets	258,943	-	258,943	208,446
Net assets, beginning	861,471	-	861,471	653,025
Net assets, ending	$ 1,120,414	$ -	$ 1,120,414	$ 861,471

TAILORED FOR EDUCATION, INC.

Statement of Cash Flows

For the Year Ended December 31 2021

(with comparative totals for the year ended December 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 258,943	$ 208,446
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,026	909
Changes in assets and liabilities:		
Grants and contributions receivables	(15,271)	(83,125)
Inventory	223	72
Account payables	3,200	2,325
Net cash provided by operating activities	248,121	128,627
Cash flows from investing activities:		
Purchases of fixed assets	(3,499)	-
Net cash used in investing activities	(3,499)	-
Net change in cash and cash equivalents	244,622	128,627
Cash and cash equivalents - beginning of year	600,745	472,118
Cash and cash equivalents - end of year	$ 845,367	$ 600,745

TAILORED FOR EDUCATION, INC.

Statement of Functional Expenses

For the Year Ended December 31 2021

(with summarized comparative totals for the year ended December 31, 2020)

	Program Expenses	Fundraising Expenses	General and Administration	2021 Total	2020 Total
Salaries and wages	$ -	$ 20,000	$ 20,000	$ 40,000	$ 35,000
Grants to partner organizations	557,181	-	-	557,181	393,313
Training costs	1,250	-	312	1,562	-
Travel and lodging expense	-	-	-	-	3,196
Office supplies	1,013	-	676	1,689	369
Postage	810	203	1,014	2,027	1,205
Bank charges	48	-	48	96	282
Merchant service fees	-	3,926	-	3,926	2,567
Office expenses	2,877	719	3,596	7,192	373
Food	-	-	-	-	332
Tax and licenses	-	-	451	451	250
Professional development	-	-	-	-	208
Professional services	-	-	8,988	8,988	3,398
Software expense	-	9,625	-	9,625	13,865
Website expense	5,541	9,235	3,694	18,470	25,136
Other expenses	82	12	24	118	-
Depreciation expense	1,026	-	-	1,026	909
Total expenses	$ 569,828	$ 43,720	$ 38,803	$ 652,351	$ 480,403

Note 1 – Organization and Background.

Founded in 2011, Tailored for Education, Inc. (“the Organization or TFE”) is a not-for-profit organization incorporated in Massachusetts that strives to increase school enrollment in impoverished areas of the word by providing children with school uniforms. For millions of children around the globe, education represents the only way out of a life of poverty.

TFE partners with established and reputable non-government local organizations to achieve its mission. By leveraging the existing relationships those organizations have, TFE is able to safely and efficiently procure and distribute uniforms to families, schools and parishes. In addition, working with the partner organizations ensures all uniforms are made locally, benefiting the local economy.

Since its formation TFE has provided over 15,000 uniforms to children in 11 different countries.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. Unconditional support is recognized when notification of the contribution is received.

Financial Statement Presentation

The Organization’s financial statement presentation includes the requirements of Accounting Standards Codification (ASC) *No. 958 Not-for-Profit Entities*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The Organization classifies donor-restricted contributions as net assets without donor restrictions when the restrictions are satisfied in the same reporting period in which the contributions were received. Accordingly, net assets of the Organization, and changes therein, are classified and reported under provisions of ASC No. 958, based on the existence or absence of donor-imposed stipulations as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed stipulations. The Organization’s board of directors may, at its discretion, designate net assets without donor restrictions for specific purposes.

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

Expenses are reported as decreases in net assets. Expirations of donor-imposed restrictions recognized as net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

Note 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

The Organization did not have net assets with donor restrictions at December 31, 2021 and 2020.

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all unrestricted cash held in demand accounts, cash held in savings accounts and other highly liquid resources with an original maturity of three months or less when purchased, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Property and Equipment

Property, equipment, furnishing, and improvement purchases in excess of $1,000 are capitalized at cost, if purchased, or if donated, at fair market value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred; whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	3-5 years
Computers and equipment	3-5 years

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses in the accompanying statement of activities and change in net assets.

Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Increases or decreases in market value are recorded as unrealized gains or losses on investments.

Donated investments are recorded at fair value based on quoted market prices at the time of receipt. Unless restricted by the donor, it is the Organization's policy to sell all donated investments upon receipt.

Certificates of Deposit

At December 31, 2021 and 2020, the Organization held certificates of deposit with original maturity dates greater than a period of ninety days that are carried at amortized cost. Interest earned on certificates of deposit is included in the accompanying statements of activities. These certificates of deposit do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*.

Note 2 – Summary of Significant Accounting Policies (Continued)

Certificates of Deposit (Continued)

Therefore, these investments are presented separately on the face of the accompanying statements of financial position, and are not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures*.

Inventory

Inventory consists of promotional clothing merchandise and related accessories held for resale, and is stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis.

Revenue Recognition

The Organization receives contributions and grants from individuals and other private entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

Revenue Accounted for in Accordance with Contribution Accounting

<u>*Contributions*</u>

The Organization follows the requirements of the Financial Accounting Standards Board ("FASB") in its Statement of Financial Accounting Standards, Accounting for Contributions Received and Contributions Made, as updated by FASB ASU 2018-08, Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made. This financial accounting standard requires that contributions be recorded as receivables and revenues, and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction conditions are satisfied, at which time it is reclassified to net assets without donor restrictions.

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization's programs or to a future year. 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 statements of activities as net assets released from restrictions.

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Contributed Goods and Services

The Organization records various types of in-kind support including contributed goods, property and professional services. Donated services are recognized as revenue if the services received (a) create or enhance non- financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. Amounts reflected in the accompanying financial statements as donated goods and services revenue are offset by amounts included in expenses or fixed assets.

Additionally, the Organization may receive amounts of skilled, contributed time, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Revenue requiring a performance obligation by transferring a good to, or performing a service for, a customer consist of sales of merchandise goods and products. Revenue is recognized when a purchased merchandise good or product is shipped to the customer. Sales of merchandise goods and products amounted to $293 and $885 for the years ended December 31, 2021 and 2020, respectively.

Advertising

Advertising costs are expensed as incurred. The organization did not incur advertising expenses during for the years ended December 31, 2021 and 2020.

Note 2 – Summary of Significant Accounting Policies (Continued)

Grant Revenue

The Organization derives revenues through grants received from various private foundations and individual grantors. Accordingly, the Organization may be subject to the regulations and reporting requirements of the applicable grantors. Grant revenue is recorded in accordance with the provisions of the applicable award amounts, including the recognition of any purpose or time restriction on the use of the proceeds.

Accounts Receivable

Accounts receivable are stated at their net realizable value. When necessary, the Organization provides an allowance for doubtful accounts equal to estimated bad debt losses. The estimated losses are based on historical collection experience together with a review of the current status of the existing receivables. All receivables and pledges are expected to be collected in full; therefore no allowance for bad debt was recorded as of December 31, 2021 and 2020.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an Organization that is not a private foundation under Section 509(a)(1). The Organization is also exempt from Massachusetts state taxes.

The Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

Functional Expenses

The costs of providing the Organization's programs and other activities have been presented in the statements of functional expenses. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification.

Note 2 – Summary of Significant Accounting Policies (Continued)

Promises To Give

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Note 3 – Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers (Topic 606*)", as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization adopted the new standard effective January 1, 2020. The adoption of this ASU did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements within the scope of the new standard generally consist of merchandise sales revenue, consisting of a single performance obligation to transfer promised goods. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Note 4 – Concentrations of Credit Risk

Financial instruments which potentially expose the Organization to concentrations of credit risk consist primarily of grants and contributions receivable. The risk of loss associated with these receivables is limited to the amount owed to the Organization. Management believes that the risk of loss is minimal.

The Organization maintains its cash balances in bank deposit accounts, which at times may exceed federally insured limits. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Note 5 – Property and Equipment

Property and equipment consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Computer and equipment	$ 6,226	$ 2,727
Less accumulated depreciation	(2,389)	(1,363)
Property and equipment, net	$ 3,837	$ 1,364

Note 6 - Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the current year presentation.

Note 7 – Contributed goods and services

The Organization received donated goods and services valued at $40,000 and $35,000 during for the years ended December 31, 2021 and 2020, respectively. These amounts are included in contributed goods and services revenue, and wages and salaries expense on the accompanying statements of activities and statements of functional expenses, respectively.

Note 8 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, are as follows:

	2021	2020
Cash and cash equivalents	$ 630,550	$ 388,320
Certificates of deposits	214,817	212,425
Grants and contributions receivable	252,772	237,501
Total financial assets	$ 1,098,139	$ 838,246
Total financial assets available to meet cash needs for general expenditures within one year	$ 1,098,139	$ 838,246

The Organization manages its liquidity by developing and adopting annual and monthly operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditure, liabilities and other obligations come due.

Note 9 – Impact of the Covid-19 Pandemic

The COVID-19 pandemic, the effects of which first became known in January 2020, is having a broad and negative impact on commerce and financial markets across the country. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic.
The Organization is closely monitoring its liquidity and cash flows and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's funders, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and future changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 10 – New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the method in which expenses are recorded on the statement of operations and changes in net assets. The changes become effective for the Organization on January 1, 2022. Management has not yet determined the impact of adoption on its financial statements.

Note 11 – New Accounting Pronouncements (Continued)

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard requires additional presentation and disclosures related to nonfinancial assets contributed to a not-for-profit entity, including separate presentation of contributed nonfinancial assets and disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities. The changes become effective for the Organization for annual periods beginning on January 1, 2022. Management does not believe the impact of the ASU on the Organization's future financial reporting and disclosures will be significant.

Note 12 – Subsequent Events

Subsequent events have been evaluated through November 11, 2022, which is the date the financial statements were available to be issued.