



ENLACE USA

Financial Statements
With Independent Auditors' Report

December 31, 2016 and 2015

ENLACE USA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Enlace USA
Irvine, California

We have audited the accompanying financial statements of Enlace USA (EUSA), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to EUSA's preparation and fair presentation of the financial statements 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 EUSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Enlace USA
Irvine, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enlace USA as of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
August 14, 2017

ENLACE USA

Statements of Financial Position

	December 31,	
	2016	2015
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 261,397	\$ 364,876
Due from affiliate	6,658	11,358
Accounts receivable and prepaid expenses	3,807	5,521
Pledges receivable - current portion	37,240	34,200
	309,102	415,955
Non-current assets:		
Pledges receivable - net of current portion	6,900	28,400
	6,900	28,400
Total Assets	\$ 316,002	\$ 444,355
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accrued expenses	\$ 7,497	\$ 1,284
Note payable - current portion	4,700	4,700
	12,197	5,984
Long-term liabilities:		
Note payable - net of current portion	1,958	6,658
	1,958	6,658
	14,155	12,642
Net assets:		
Unrestricted	153,521	91,123
Temporarily restricted	148,326	340,590
Total net assets	301,847	431,713
Total Liabilities and Net Assets	\$ 316,002	\$ 444,355

See notes to financial statements

ENLACE USA

Statements of Activities

Year Ended December 31,

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 384,093	\$ 1,781,331	\$ 2,165,424	\$ 327,429	\$ 1,803,805	\$ 2,131,234
Other income	77,907	-	77,907	71,283	-	71,283
Net assets released from restrictions:						
Release of restrictions	1,973,595	(1,973,595)	-	1,815,140	(1,815,140)	-
Total Support, Revenue, and Reclassifications	2,435,595	(192,264)	2,243,331	2,213,852	(11,335)	2,202,517
EXPENSES:						
Program services	1,980,508	-	1,980,508	1,857,715	-	1,857,715
Supporting activities:						
General and administrative	149,588	-	149,588	122,896	-	122,896
Fundraising	243,101	-	243,101	202,663	-	202,663
	392,689	-	392,689	325,559	-	325,559
Total Expenses	2,373,197	-	2,373,197	2,183,274	-	2,183,274
Change in Net Assets	62,398	(192,264)	(129,866)	30,578	(11,335)	19,243
Net Assets, Beginning of Year	91,123	340,590	431,713	60,545	351,925	412,470
Net Assets, End of Year	<u>\$ 153,521</u>	<u>\$ 148,326</u>	<u>\$ 301,847</u>	<u>\$ 91,123</u>	<u>\$ 340,590</u>	<u>\$ 431,713</u>

See notes to financial statements

ENLACE USA

Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (129,866)	\$ 19,243
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net change in:		
Due from affiliate	4,700	(11,358)
Accounts receivable and prepaid expenses	1,714	(2,803)
Accounts payable	-	(13,202)
Accrued expenses	6,213	300
Net Cash Used in Operating Activities	<u>(117,239)</u>	<u>(7,820)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Pledges receivable additions	(17,660)	(66,600)
Collections of pledges receivable	36,120	4,000
Proceeds from new notes payable	-	14,100
Payments on notes payable	(4,700)	(2,742)
Net Cash Provided by Financing Activities	<u>13,760</u>	<u>(51,242)</u>
Net Change in Cash and Cash Equivalents	(103,479)	(59,062)
Cash and Cash Equivalents, Beginning of Year	<u>364,876</u>	<u>423,938</u>
Cash and Cash Equivalents, End of Year	<u>\$ 261,397</u>	<u>\$ 364,876</u>

See notes to financial statements

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Notes to Financial Statements

December 31, 2016 and 2015

1. NATURE OF ORGANIZATION:

Enlace USA (EUSA) is a nonprofit corporation incorporated in the state of California. EUSA is a Christian development organization that exists to alleviate spiritual and physical poverty by equipping local churches to transform communities.

In order to realize this mission EUSA works to:

- Provide training, coaching, and consulting to church partners to serve effectively their communities
- Provide training and technical assistance to local churches and community organizations to identify, design, manage, and evaluate projects and programs in their communities
- Identify and develop partnerships with local and international organizations, foundations, businesses, and individuals that share a common vision to assist the poor
- Facilitate forums to exchange information, coordinate activities, and create a concerted action among and between church leaders, community members, and other agents of development.

As a not-for-profit organization, EUSA is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, it is also exempt from state income taxes, and contributions by the public are deductible for income tax purposes. EUSA has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Internal Revenue Code. Income for EUSA primarily consists of contributions from individuals, churches, and other organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of EUSA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by EUSA are described below.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For the statements of financial position and cash flow purposes, cash and cash equivalents consist of cash on deposit at financial institutions. These accounts may, at times, exceed federally insured limits. EUSA has not experienced any losses related to these accounts.

PLEDGES RECEIVABLE

Pledges receivable are recognized as contributions when received and recorded at fair market value based upon estimated future cash flows. Unconditional pledges that are expected to be collected within one year as well as future years are currently recorded at the full pledged value. A discount has not been recorded based on an analysis using interest rates applicable to the years in which the pledges are expected to be received resulting in an immaterial total discount. As of December 31, 2016 and 2015, EUSA has not recorded an allowance for doubtful amounts because they are believed to be fully collectable.

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Notes to Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FIXED ASSETS

All expenditures of \$500 or more for equipment or intangible assets are capitalized at cost. Depreciation and amortization is computed on the straight line method over the estimated useful lives of the assets, five years. All fixed assets have been fully depreciated as of December 31, 2016 and 2015.

NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are those currently available at the discretion of the board for use in EUSA's operations and those resources invested in equipment.

Temporarily restricted net assets are those which are stipulated by donors for specific programs.

All contributions are considered available for unrestricted use unless specifically restricted by the donor, by time restrictions, or subject to legal restrictions.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or pledges have been received, or ownership of donated assets is transferred to EUSA. EUSA receives gifts-in-kind, which are recorded as support at the estimated fair market value on the date of the gift.

Contributions are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. For contributions restricted by donors for the acquisition of long-lived assets, the restriction is considered to be met when the funds are expended on the intended purpose.

Other revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

For the years ended December 31, 2016 and 2015, four donors gave 56% and 47% of the total contributions received by EUSA, respectively.

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Notes to Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting activities. Currently, there are no joint costs that have been allocated among the program, general and administrative, and fundraising functions.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2016 and 2015, EUSA had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. EUSA is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

3. PLEDGES RECEIVABLE:

Pledges consist of:

	December 31,	
	2016	2015
Receivables due in less than one year	\$ 37,240	\$ 34,200
Receivables due in one to five years	6,900	28,400
	<u>\$ 44,140</u>	<u>\$ 62,600</u>

4. NOTE PAYABLE:

In May 2015, EUSA obtained financing for software conversion fees through a zero-interest loan of \$14,100, with monthly payments of \$392 due through 2018. As of December 31, 2016, imputed interest is immaterial in total.

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 4,700
2018	<u>1,958</u>
	<u>\$ 6,658</u>

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Notes to Financial Statements

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5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2016	2015
Enlace El Salvador	\$ 31,317	\$ 185,678
Missionaries	37,649	31,322
Nepal	35,220	60,990
Time restrictions	44,140	62,600
	<u>\$ 148,326</u>	<u>\$ 340,590</u>

6. RELATED PARTY TRANSACTIONS:

Program services include grant disbursements made directly to an affiliated organization, Enlace El Salvador, under a grant agreement. For the years ended December 31, 2016 and 2015, EUSA disbursed \$1,729,705 and \$1,613,713 to Enlace El Salvador, respectively. There were no payables or receivables between EUSA and its affiliate as of December 31, 2016 and 2015. Certain EUSA board members were compensated during the year as independent contractors, received minister housing allowances and missionary support, or were paid for professional services. These amounts for the years ended December 31, 2016 and 2015, respectively were \$159,475 and \$157,045.

7. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.