

ENLACE USA

Financial Statements
With Independent Accountants'
Review Report

December 31, 2017 and 2016

ENLACE USA

Table of Contents

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Enlace USA
Irvine, California

We have reviewed the accompanying financial statements of Enlace USA, which comprise the statements of financial position as of December 31, 2017, 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
February 25, 2019

ENLACE USA

Statements of Financial Position

	December 31,	
	2017	2016
	Reviewed	Audited
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 218,342	\$ 261,397
Due from affiliate	-	6,658
Accounts receivable and prepaid expenses	4,849	3,807
Pledges receivable - current portion	28,150	37,240
	251,341	309,102
Non-current assets:		
Pledges receivable - net of current portion	2,880	6,900
	2,880	6,900
Total Assets	\$ 254,221	\$ 316,002
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,463	\$ 7,497
Note payable - current portion	1,958	4,700
	12,421	12,197
Long-term liabilities:		
Note payable - net of current portion	-	1,958
	-	1,958
	12,421	14,155
Net assets:		
Unrestricted	86,932	153,521
Temporarily restricted	154,868	148,326
Total net assets	241,800	301,847
Total Liabilities and Net Assets	\$ 254,221	\$ 316,002

See notes to financial statements

ENLACE USA

Statements of Activities

Year Ended December 31,

	2017		2016			
	Reviewed		Audited			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	373,178	1,119,901	\$ 1,493,079	\$ 384,093	\$ 1,781,331	\$ 2,165,424
Other income	161,239	-	161,239	77,907	-	77,907
Net assets released from restrictions:						
Release of restrictions	1,113,359	(1,113,359)	-	1,973,595	(1,973,595)	-
Total Support, Revenue, and Reclassifications	1,647,776	6,542	1,654,318	2,435,595	(192,264)	2,243,331
EXPENSES:						
Program services	1,297,861	-	1,297,861	1,980,508	-	1,980,508
Supporting activities:						
General and administrative	139,078	-	139,078	149,588	-	149,588
Fundraising	277,426	-	277,426	243,101	-	243,101
	416,504	-	416,504	392,689	-	392,689
Total Expenses	1,714,365	-	1,714,365	2,373,197	-	2,373,197
Change in Net Assets	(66,589)	6,542	(60,047)	62,398	(192,264)	(129,866)
Net Assets, Beginning of Year	153,521	148,326	301,847	91,123	340,590	431,713
Net Assets, End of Year	\$ 86,932	\$ 154,868	\$ 241,800	\$ 153,521	\$ 148,326	\$ 301,847

See notes to financial statements

ENLACE USA

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
	Reviewed	Audited
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (60,047)	\$ (129,866)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net change in:		
Due from affiliate	6,658	4,700
Accounts receivable and prepaid expenses	(1,042)	1,714
Accounts payable and accrued expenses	2,966	6,213
Net Cash Used in Operating Activities	<u>(51,465)</u>	<u>(117,239)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Pledges receivable additions	(46,080)	(17,660)
Collections of pledges receivable	59,190	36,120
Payments on notes payable	(4,700)	(4,700)
Net Cash Provided by Financing Activities	<u>8,410</u>	<u>13,760</u>
Net Change in Cash and Cash Equivalents	(43,055)	(103,479)
Cash and Cash Equivalents, Beginning of Year	<u>261,397</u>	<u>364,876</u>
Cash and Cash Equivalents, End of Year	<u>\$ 218,342</u>	<u>\$ 261,397</u>

See notes to financial statements

ENLACE USA

Notes to Financial Statements

December 31, 2017 and 2016

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. At December 31, 2017 and 2016, EUSA's cash balances exceeded federally insured limits by approximately \$0 and \$9,000, respectively. EUSA does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

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 because it is immaterial to the financial statements. As of December 31, 2017 and 2016, management believes pledges receivable are fully collectable.

ENLACE USA

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016, four donors gave 45% and 47% of the total contributions received by EUSA, respectively.

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.

ENLACE USA

Notes to Financial Statements

December 31, 2017 and 2016

3. PLEDGES RECEIVABLE:

Pledges consist of:

	December 31,	
	2017	2016
Receivables due in less than one year	\$ 28,150	\$ 37,240
Receivables due in one to five years	2,880	6,900
	<u>\$ 31,030</u>	<u>\$ 44,140</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. The balance remaining as of the date of the statement of financial position will be paid in full during the year ending December 31, 2018. As of December 31, 2017, imputed interest is immaterial to the financial statements.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2017	2016
Enlace El Salvador	\$ 95,419	\$ 31,327
Missionaries	15,357	37,649
Nepal	4,062	35,220
Guatemala	9,000	-
Time restrictions	31,030	44,130
	<u>\$ 154,868</u>	<u>\$ 148,326</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, 2017 and 2016, EUSA disbursed approximately \$785,000 and \$1,730,000 to Enlace El Salvador, respectively. There were no payables or receivables between EUSA and its affiliate as of December 31, 2017 and 2016. 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, 2017 and 2016, respectively were approximately \$130,000 and \$159,000. Furthermore, EUSA paid approximately \$9,000 and \$0, respectively, for legal services to a firm where a board member is a partner.

ENLACE USA

Notes to Financial Statements

December 31, 2017 and 2016

7. SUBSEQUENT EVENTS:

Subsequent to year end, management has been made aware of several donors who are unable to contribute at previous levels. Management is aware of the donor concentration identified in note 2 has taken action to maintain a balanced balance.

Subsequent events have been evaluated through February 25, 2019, which is the date the financial statements were available to be issued.