

ENLACE USA

Financial Statements
With Independent Accountants'
Review Report

December 31, 2018 and 2017

ENLACE USA

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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, 2018 and 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 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.

Emphasis of Matter

Enlace USA has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Brea, California
December 5, 2019

ENLACE USA

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 169,655	\$ 218,342
Other assets	7,876	4,849
Pledges receivable - current portion	6,700	28,150
	<u>184,231</u>	<u>251,341</u>
Non-current assets:		
Pledges receivable - net of current portion	-	2,880
	<u>-</u>	<u>2,880</u>
Total Assets	<u>\$ 184,231</u>	<u>\$ 254,221</u>
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued expenses	\$ 17,018	\$ 10,463
Note payable - current portion	-	1,958
	<u>17,018</u>	<u>12,421</u>
Net assets:		
Without donor restrictions	36,193	86,932
With donor restrictions	131,020	154,868
Total net assets	<u>167,213</u>	<u>241,800</u>
Total Liabilities and Net Assets	<u>\$ 184,231</u>	<u>\$ 254,221</u>

See notes to financial statements

ENLACE USA

Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 343,336	\$ 1,061,683	\$ 1,405,019	\$ 373,178	\$ 1,119,901	\$ 1,493,079
Other income	157,598	-	157,598	161,239	-	161,239
Net assets released from restrictions:						
Release of restrictions	1,085,531	(1,085,531)	-	1,113,359	(1,113,359)	-
Total Support, Revenue, and Reclassifications	1,586,465	(23,848)	1,562,617	1,647,776	6,542	1,654,318
EXPENSES:						
Grants	1,145,220	-	1,145,220	1,176,147	-	1,176,147
Compensation and benefits	353,926	-	353,926	360,208	-	360,208
Professional fees	67,427	-	67,427	101,136	-	101,136
Other expenses	70,631	-	70,631	76,874	-	76,874
Total Expenses	1,637,204	-	1,637,204	1,714,365	-	1,714,365
Change in Net Assets	(50,739)	(23,848)	(74,587)	(66,589)	6,542	(60,047)
Net Assets, Beginning of Year	86,932	154,868	241,800	153,521	148,326	301,847
Net Assets, End of Year	\$ 36,193	\$ 131,020	\$ 167,213	\$ 86,932	\$ 154,868	\$ 241,800

See notes to financial statements

ENLACE USA

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (74,587)	\$ (60,047)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Bad debt expense	3,040	-
New pledges receivable	(33,200)	(46,080)
Net change in:		
Due from affiliate	-	6,658
Other assets	(3,027)	(1,042)
Accounts payable and accrued expenses	6,555	2,966
Net Cash Used in Operating Activities	<u>(101,219)</u>	<u>(97,545)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of pledges receivable	54,490	59,190
Payments on notes payable	<u>(1,958)</u>	<u>(4,700)</u>
Net Cash Provided by Financing Activities	<u>52,532</u>	<u>54,490</u>
Net Change in Cash and Cash Equivalents	(48,687)	(43,055)
Cash and Cash Equivalents, Beginning of Year	<u>218,342</u>	<u>261,397</u>
Cash and Cash Equivalents, End of Year	<u>\$ 169,655</u>	<u>\$ 218,342</u>

See notes to financial statements

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Notes to Financial Statements

December 31, 2018 and 2017

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. EUSA's cash balances did not exceed federally insured limits at December 31, 2018 and 2017. Balances may exceed federally insured limits throughout the year; however, EUSA does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

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Notes to Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2018 and 2017, management believes pledges receivable are fully collectable.

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donors restrictions are those currently available at the discretion of the board for use in EUSA's operations.

Net assets with donors restrictions 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, 2018 and 2017, the top four donors gave 31% and 47% of the total contributions received by EUSA, respectively. Management recognizes the risk with this concentration.

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Notes to Financial Statements

December 31, 2018 and 2017

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.

3. PLEDGES RECEIVABLE:

Pledges consist of:

	December 31,	
	2018	2017
Receivables due in less than one year	\$ 6,700	\$ 28,150
Receivables due in one to five years	-	2,880
	<u>\$ 6,700</u>	<u>\$ 31,030</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 was paid in full during the year ending December 31, 2018. Imputed interest is immaterial to the financial statements.

5. NET ASSETS:

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2018	2017
Enlace El Salvador	\$ 90,890	\$ 95,419
Missionaries	-	15,357
Nepal	21,082	4,062
Guatemala	10,080	9,000
Other	2,268	-
Time restrictions	6,700	31,030
	<u>\$ 131,020</u>	<u>\$ 154,868</u>

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Notes to Financial Statements

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6. FUNCTIONAL ALLOCATION OF EXPENSES:

The financial statements report certain categories of expenses that are attributable to a more reasonable basis that is consistently applied. The expenses that are allocated include professional fees and other expenses, which are both allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. An allocation of the EUSA's expenses by natural classification for the year ended December 31, 2018 is:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,145,220	\$ -	\$ -	\$ 1,145,220
Compensation and benefits	151,168	58,623	144,135	353,926
Professional fees	444	53,582	13,401	67,427
Other expenses	4,902	12,189	53,540	70,631
	<u>\$ 1,301,734</u>	<u>\$ 124,394</u>	<u>\$ 211,076</u>	<u>\$ 1,637,204</u>

7. LIQUIDITY AND AVAILABILITY OF RESOURCES:

EUSA has approximately \$176,000 and \$246,000 of financial assets available at December 31, 2018 and 2017, respectively. The financial assets consist of cash and cash equivalents and the current portion of pledges receivable. EUSA maintains financial assets of at least 30 days of operating expenses.

8. 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, 2018 and 2017, EUSA disbursed approximately \$1,069,000 and \$785,000 to Enlace El Salvador, respectively. There were no payables or receivables between EUSA and its affiliate as of December 31, 2018 and 2017. Furthermore, EUSA paid approximately \$1,000 and \$9,000, respectively, for legal services to a firm where a board member is a partner.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 5, 2019, which is the date the financial statements were available to be issued.