

ENLACE USA

Financial Statements
With Independent Accountants'
Review Report

December 31, 2020 and 2019

ENLACE USA

Table of Contents

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5

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, 2020 and 2019, 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 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
May 25, 2021

ENLACE USA

Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 376,991	\$ 243,907
Other assets	36,932	7,919
Pledges receivable - current portion	3,000	9,650
	<u>416,923</u>	<u>261,476</u>
Non-current assets:		
Pledges receivable - net of current portion	-	3,600
Notes receivable	57,500	-
Fixed assets	798	1,057
	<u>58,298</u>	<u>4,657</u>
Total Assets	<u>\$ 475,221</u>	<u>\$ 266,133</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,875	\$ 3,235
Long-term Liabilities:		
Notes payable	197,500	-
Total Liabilities	<u>205,375</u>	<u>3,235</u>
Net assets:		
Without donor restrictions	63,890	36,878
With donor restrictions	205,956	226,020
Total net assets	<u>269,846</u>	<u>262,898</u>
Total Liabilities and Net Assets	<u>\$ 475,221</u>	<u>\$ 266,133</u>

See accompanying notes and independent accountants' review report

ENLACE USA

Statements of Activities

	Year Ended December 31,					
	2020			2019		
	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	\$ 433,839	\$ 1,182,926	\$ 1,616,765	\$ 460,248	\$ 1,319,149	\$ 1,779,397
Government grant	77,700	-	77,700	-	-	-
Other income	177,760	-	177,760	195,290	-	195,290
Net assets released from restrictions:						
Release of restrictions	1,202,990	(1,202,990)	-	1,224,149	(1,224,149)	-
Total Support, Revenue, and Reclassifications	<u>1,892,289</u>	<u>(20,064)</u>	<u>1,872,225</u>	<u>1,879,687</u>	<u>95,000</u>	<u>1,974,687</u>
EXPENSES:						
Grants	1,190,089	-	1,190,089	1,231,049	-	1,231,049
Compensation and benefits	465,195	-	465,195	434,305	-	434,305
Professional fees	67,899	-	67,899	65,836	-	65,836
Travel expenses	5,295	-	5,295	19,504	-	19,504
Special events	25,536	-	25,536	64,614	-	64,614
Other expenses	111,263	-	111,263	63,694	-	63,694
Total Expenses	<u>1,865,277</u>	<u>-</u>	<u>1,865,277</u>	<u>1,879,002</u>	<u>-</u>	<u>1,879,002</u>
Change in Net Assets	27,012	(20,064)	6,948	685	95,000	95,685
Net Assets, Beginning of Year	<u>36,878</u>	<u>226,020</u>	<u>262,898</u>	<u>36,193</u>	<u>131,020</u>	<u>167,213</u>
Net Assets, End of Year	<u>\$ 63,890</u>	<u>\$ 205,956</u>	<u>\$ 269,846</u>	<u>\$ 36,878</u>	<u>\$ 226,020</u>	<u>\$ 262,898</u>

See accompanying notes and independent accountants' review report

ENLACE USA

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,948	\$ 95,685
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	259	-
Bad debt expense	2,200	1,100
Forgiveness of notes payable	(83,700)	-
Net change in:		
Pledges receivable	8,050	(7,650)
Other assets	(29,013)	(1,548)
Accounts payable and accrued expenses	4,640	(12,278)
Net Cash provided by (used in) by Operating Activities	(90,616)	75,309
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	-	(1,057)
Net payments issuance of notes receivable	(57,500)	-
Net Cash used in Investing Activities	(57,500)	(1,057)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	77,700	-
Proceeds from notes payable	207,500	-
Payments on notes payable	(4,000)	-
Net Cash provided by Financing Activities	281,200	-
Net Change in Cash and Cash Equivalents	133,084	74,252
Cash and Cash Equivalents, Beginning of Year	243,907	169,655
Cash and Cash Equivalents, End of Year	\$ 376,991	\$ 243,907
SUPPLEMENTAL DISCLOSURES:		
Forgiveness of notes payable	\$ 83,700	\$ -
Cash paid for interest	\$ 75	\$ -

See accompanying notes and independent accountants' review report

ENLACE USA

Notes to Financial Statements

December 31, 2020 and 2019

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

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, 2020 and 2019. 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.

ENLACE USA

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, management believes pledges receivable are fully collectable.

NOTES RECEIVABLE

Notes receivable consists of a micro-financing loan disbursed in October 2020. The effective interest rate is fixed at 5% accruing monthly, with a balloon payment of the principal and interest due in October 2023.

The provision for loan losses is maintained at a level that, in management's judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. As of December 31, 2020, management believes the notes receivable to be 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.

ENLACE USA

Notes to Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2020 and 2019, the top five donors gave 41% and 42% of the total contributions received by EUSA, respectively with two donors in the concentration for both years. Management recognizes the risk with this concentration.

3. PLEDGES RECEIVABLE:

Pledges consist of:

	December 31,	
	2020	2019
Receivables due in less than one year	\$ 3,000	\$ 9,650
Receivables due in one to five years	-	3,600
	<u>\$ 3,000</u>	<u>\$ 13,250</u>

ENLACE USA

Notes to Financial Statements

December 31, 2020 and 2019

4. NOTE PAYABLE:

Notes payable consist of:

	December 31,	
	2020	2019
In June 2020, EUSA obtained a Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) for \$150,000. The effective interest rate is fixed at 2.75%. Monthly principal and interest of \$641 will begin June 2021. The balance of principal and interest will mature in June 2050.	\$ 150,000	\$ -
In November 2020, EUSA received a loan from a donor. The effective interest rate is fixed at 3% accruing monthly, a balloon payment of the principal and interest will be due in November 2023.	37,500	-
In September 2020, EUSA received a loan from a donor. The effective interest rate is fixed at 3% accruing monthly, a balloon payment of the principal and interest will be due in September 2023.	10,000	-
	\$ 197,500	\$ -

The future minimum payments are as follows:

Year Ending December 31,	
2021	\$ -
2022	-
2023	47,500
2024	-
2025	-
Thereafter	150,000
	\$ 197,500

ENLACE USA

Notes to Financial Statements

December 31, 2020 and 2019

5. NET ASSETS:

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

	December 31,	
	2020	2019
Enlace El Salvador	\$ 120,142	\$ 92,077
Housing	58,749	56,535
Missionaries	6,044	17,872
Nepal	17,706	34,761
Other	315	11,525
Time restrictions	3,000	13,250
	\$ 205,956	\$ 226,020

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, 2020 is:

	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 1,190,089	\$ -	\$ -	\$ 1,190,089
Compensation and benefits	189,486	59,391	216,318	465,195
Professional fees	8,184	52,515	7,200	67,899
Travel expenses	4,416	110	769	5,295
Special events	-	-	25,536	25,536
Other expenses	1,871	11,952	97,440	111,263
	\$ 1,394,046	\$ 123,968	\$ 347,263	\$ 1,865,277

ENLACE USA

Notes to Financial Statements

December 31, 2020 and 2019

6. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

An allocation of the EUSA's expenses by natural classification for the year ended December 31, 2019 is:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,231,049	\$ -	\$ -	\$ 1,231,049
Compensation and benefits	181,715	59,351	193,239	434,305
Professional fees	9,600	49,036	7,200	65,836
Travel expenses	12,625	860	6,019	19,504
Special events	-	-	64,614	64,614
Other expenses	6,192	8,103	49,399	63,694
	<u>\$ 1,441,181</u>	<u>\$ 117,350</u>	<u>\$ 320,471</u>	<u>\$ 1,879,002</u>

7. LIQUIDITY AND AVAILABILITY OF RESOURCES:

EUSA has approximately \$380,000 and \$254,000 of financial assets available at December 31, 2020 and 2019, 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:

Grant disbursements were made directly to affiliated organizations Enlace El Salvador and Enlace Nepal, under grant agreements. For the years ended December 31, 2020 and 2019, EUSA disbursed approximately \$1,083,000 and \$1,043,000 to Enlace El Salvador, respectively. For the years ended December 31, 2020 and 2019, EUSA disbursed approximately \$75,000 and \$47,000 to Enlace Nepal, respectively. There were no payables or receivables between EUSA and its affiliate as of December 31, 2020 and 2019.

EUSA paid approximately \$20,000 and \$10,000, respectively, for marketing services provided by two family members of the Executive Director for years ended December 31, 2020 and 2019, respectively.

EUSA paid approximately \$20,000 and \$9,000 respectively, for attorney fees provided by a board member for years ended December 31, 2020 and 2019, respectively.

Approximately \$42,000 and \$34,000 were donated to EUSA by board members for the years ended December 31, 2020 and 2019, respectively.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 25, 2021, which is the date the financial statements were available to be issued.