

ENLACE USA

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

ENLACE USA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Enlace USA
Irvine, California

Opinion

We have audited the accompanying financial statements of Enlace USA, which comprise the statements of financial position as of December 2022 and 2021, and the related statements of activities and cash flows for the years 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 Enlace USA as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Enlace USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Enlace USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Enlace USA
Irvine, California

Auditors' 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 auditors' 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, including omissions, 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 Enlace USA'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 Enlace USA'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.

Capin Crouse LLP

Brea, California
March 15, 2023

ENLACE USA

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 661,239	\$ 601,818
Investments	65,114	58,304
Other assets	8,432	11,562
Pledges receivable - current portion	4,050	2,700
	<u>738,835</u>	<u>674,384</u>
Non-current assets:		
Pledges receivable - net of current portion	525	3,250
Fixed assets	5,331	3,793
	<u>5,856</u>	<u>7,043</u>
 Total Assets	 <u>\$ 744,691</u>	 <u>\$ 681,427</u>
 LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,508	\$ 19,221
Notes payable - current portion	51,116	-
Long-term liabilities:		
Notes payable - net of current portion	146,087	197,500
Total liabilities	<u>204,711</u>	<u>216,721</u>
 Net assets:		
Without donor restrictions	236,875	222,416
With donor restrictions	303,105	242,290
Total net assets	<u>539,980</u>	<u>464,706</u>
 Total Liabilities and Net Assets	 <u>\$ 744,691</u>	 <u>\$ 681,427</u>

See notes to financial statements

ENLACE USA

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	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	\$ 545,901	\$ 1,368,307	\$ 1,914,208	\$ 582,719	\$ 1,453,302	\$ 2,036,021
Forgiveness of loan	-	-	-	76,655	-	76,655
Other income	213,364	-	213,364	232,817	-	232,817
Net assets released from restrictions:						
Release of restrictions	1,307,492	(1,307,492)	-	1,416,968	(1,416,968)	-
Total Support, Revenue, and Reclassifications	<u>2,066,757</u>	<u>60,815</u>	<u>2,127,572</u>	<u>2,309,159</u>	<u>36,334</u>	<u>2,345,493</u>
EXPENSES:						
Grants	1,307,492	-	1,307,492	1,416,968	-	1,416,968
Compensation and benefits	506,773	-	506,773	487,163	-	487,163
Other expenses	129,572	-	129,572	105,959	-	105,959
Professional fees	101,019	-	101,019	86,183	-	86,183
Travel expenses	7,442	-	7,442	9,315	-	9,315
Special events	-	-	-	45,045	-	45,045
Total Expenses	<u>2,052,298</u>	<u>-</u>	<u>2,052,298</u>	<u>2,150,633</u>	<u>-</u>	<u>2,150,633</u>
Change in Net Assets	14,459	60,815	75,274	158,526	36,334	194,860
Net Assets, Beginning of Year	<u>222,416</u>	<u>242,290</u>	<u>464,706</u>	<u>63,890</u>	<u>205,956</u>	<u>269,846</u>
Net Assets, End of Year	<u>\$ 236,875</u>	<u>\$ 303,105</u>	<u>\$ 539,980</u>	<u>\$ 222,416</u>	<u>\$ 242,290</u>	<u>\$ 464,706</u>

See notes to financial statements

ENLACE USA

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 75,274	\$ 194,860
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,229	604
Accrued interest	(6,823)	-
Unrealized gain on investments	13	-
Bad debt expense	2,025	-
Paycheck Protection Program loan forgiveness	-	(76,655)
Net change in:		
Pledges receivable	(650)	(2,950)
Other assets	3,130	24,566
Accounts payable and accrued expenses	(11,713)	11,346
Net Cash Provided by Operating Activities	62,485	151,771
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(2,767)	(3,599)
Net Cash Used in Investing Activities	(2,767)	(3,599)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	76,655
Payments on notes payable	(297)	-
Net Cash Provided (Used) by Financing Activities	(297)	76,655
Net Change in Cash and Cash Equivalents	59,421	224,827
Cash and Cash Equivalents, Beginning of Year	601,818	376,991
Cash and Cash Equivalents, End of Year	\$ 661,239	\$ 601,818
NON-CASH TRANSACTIONS AND SUPPLEMENTAL DISCLOSURES:		
Paycheck Protection Program loan forgiveness	\$ -	\$ 76,655
Cash paid for interest	\$ 11,049	\$ -

See notes to financial statements

ENLACE USA

Notes to Financial Statements

December 31, 2022 and 2021

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

EUSA considers cash on hand and cash on deposit to be cash equivalents. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At December 31, 2022 and 2021, EUSA's cash balances exceeded the balance insured by the FDIC by approximately \$7,000 and \$165,000, respectively. EUSA has not experienced any losses in these accounts.

ENLACE USA

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, management believes pledges receivable are fully collectable.

INVESTMENTS

Investments consist of a certificate of deposit with original maturity dates of greater than 90 days and equities. Certificates of deposit are carried at principal plus accrued interest. Exchanged traded funds are held at fair value determined by quoted market prices. Realized and unrealized gains and losses are reported in the statements of activities within other income in the year in which they occur. Enlace's internal policy is to liquidate donated securities immediately upon receipt.

NET ASSETS

The financial statements report amounts by class of net assets:

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

Net assets with donor 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.

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Notes to Financial Statements

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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 with donor restrictions 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, 2022 and 2021, the top five donors gave 53% and 55% of the total contributions received by EUSA, respectively with three donors in the concentration for both years. Management recognizes the risk with this concentration.

3. PLEDGES RECEIVABLE:

Pledges consist of:

	December 31,	
	2022	2021
Receivables due in less than one year	\$ 4,050	\$ 2,700
Receivables due in one to five years	525	3,250
	<u>\$ 4,575</u>	<u>\$ 5,950</u>

ENLACE USA

Notes to Financial Statements

December 31, 2022 and 2021

4. NOTE PAYABLE:

Notes payable consist of:

	December 31,	
	2022	2021
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 began June 2021. The balance of principal and interest will mature in June 2050.	\$ 149,703	\$ 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	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	10,000
	\$ 197,203	\$ 197,500

The future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 51,116
2024	3,717
2025	3,820
2026	3,927
2027	4,036
Thereafter	130,587
	\$ 197,203

In March 2021, EUSA was approved for a second draw of the PPP loan of approximately \$77,000 through the CARES Act. During the year ended December 31, 2021, the entire loan amount met the requirements for forgiveness as set by the SBA. In December 2021, the loan was fully forgiven.

ENLACE USA

Notes to Financial Statements

December 31, 2022 and 2021

5. NET ASSETS:

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

	December 31,	
	2022	2021
Enlace El Salvador	\$ 223,875	\$ 146,240
Housing	14,146	47,343
Nepal	29,801	26,125
Missionaries	24,183	16,632
Other	6,525	-
Time restrictions	4,575	5,950
	<u>\$ 303,105</u>	<u>\$ 242,290</u>

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, 2022 is:

	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 1,307,492	\$ -	\$ -	\$ 1,307,492
Compensation and benefits	234,667	54,974	217,132	506,773
Other expenses	9,818	29,955	89,799	129,572
Professional fees	15,408	64,116	21,495	101,019
Travel expenses	5,964	185	1,293	7,442
Special events	-	-	-	-
	<u>\$ 1,573,349</u>	<u>\$ 149,230</u>	<u>\$ 329,719</u>	<u>\$ 2,052,298</u>

ENLACE USA

Notes to Financial Statements

December 31, 2022 and 2021

6. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

An allocation of the EUSA's expenses by natural classification for the year ended December 31, 2021 is:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,416,968	\$ -	\$ -	\$ 1,416,968
Compensation and benefits	210,897	51,624	224,642	487,163
Other expenses	14,148	22,198	69,613	105,959
Professional fees	13,831	48,681	23,671	86,183
Travel expenses	6,389	366	2,560	9,315
Special events	-	-	45,045	45,045
	<u>\$ 1,662,233</u>	<u>\$ 122,869</u>	<u>\$ 365,531</u>	<u>\$ 2,150,633</u>

7. LIQUIDITY AND AVAILABILITY OF RESOURCES:

EUSA has approximately \$724,000 and \$663,000 of financial assets available at December 31, 2022 and 2021, respectively. The financial assets consist of cash and cash equivalents, investments 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, 2022 and 2021, EUSA disbursed approximately \$1,174,000 and \$1,358,000 to Enlace El Salvador, respectively. For the years ended December 31, 2022 and 2021, EUSA disbursed approximately \$72,000 and \$59,000 to Enlace Nepal, respectively. There were no payables or receivables between EUSA and its affiliate as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, an officer of Enlace owns 96.4% and 96.4% of a financial institution that holds approximately \$65,000 and \$58,000 of investments for Enlace, respectively.

EUSA paid approximately \$16,000 and \$10,000, respectively, for marketing services provided by two family members of the Executive Director for years ended December 31, 2022 and 2021, respectively.

EUSA paid approximately \$9,000 and \$8,000, respectively, for attorney fees provided by a board member for years ended December 31, 2022 and 2021, respectively.

Approximately \$49,000 and \$68,000 were donated to EUSA by board members for the years ended December 31, 2022 and 2021, respectively.

ENLACE USA

Notes to Financial Statements

December 31, 2022 and 2021

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 15, 2023, which is the date the financial statements were available to be issued.