



Financial Statements

For the Year Ended December 31, 2020

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Independent Auditor's Report

To the Board of Directors

**Esperanza International Foundation
Bellevue, Washington**

We have audited the accompanying financial statements of Esperanza International Foundation (the Foundation) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

Auditor's 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 the entity'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 the entity'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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
June 11, 2021

ESPERANZA INTERNATIONAL FOUNDATION

Statement of Financial Position

December 31, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,596,592	\$ 816,606
Short-term investments	10,077	236,446
Pledges receivable	65,167	86,670
Prepaid expenses	653	661
Property and equipment, net	6,664	11,364
Other assets	5,063	5,063
	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,684,216</u>	<u>\$ 1,156,810</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 19,630	\$ 9,600
Accrued expenses	33,222	8,869
Paycheck Protection Program loan payable	57,050	
	<u> </u>	<u> </u>
Total Liabilities	109,902	18,469
Net Assets:		
Without donor restriction	1,270,002	1,029,304
With donor restriction	304,312	109,037
	<u> </u>	<u> </u>
Total Net Assets	<u>1,574,314</u>	<u>1,138,341</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 1,684,216</u>	<u>\$ 1,156,810</u>

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	
Revenues and Support:				
Contributed support and grants	\$ 612,458	\$ 541,085	\$ 1,153,543	\$ 1,022,717
In-kind contributions	2,867		2,867	1,817
Special events	89,155		89,155	167,932
Investment gain and other	557		557	21,589
Releases of restriction	345,810	(345,810)		
Total Revenues and Support	1,050,847	195,275	1,246,122	1,214,055
Expenses:				
Program	433,998		433,998	911,897
Management and general	143,242		143,242	92,116
Fundraising	232,909		232,909	298,250
Total Expenses	810,149		810,149	1,302,263
Change in Net Assets	240,698	195,275	435,973	(88,208)
Net assets, beginning of year	1,029,304	109,037	1,138,341	1,226,549
Net Assets, End of Year	\$ 1,270,002	\$ 304,312	\$ 1,574,314	\$ 1,138,341

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	2020			Total	2019
	Program	Management and General	Fundraising		
Salaries, wages and related costs	\$ 223,729	\$ 85,399	\$ 175,079	\$ 484,207	\$ 404,191
Direct support to Asociación Esperanza Internacional, Inc.	205,958			205,958	723,148
Professional fees		41,307	13,200	54,507	57,565
Events and other fundraising costs			24,506	24,506	55,972
Travel, conference and meeting expenses	4,311		8,906	13,217	31,127
Occupancy expenses		10,650		10,650	12,665
Office, supplies and administrative costs		5,886	5,219	11,105	10,271
Depreciation			4,701	4,701	4,748
Staff development and conferences			1,298	1,298	2,576
Total Expenses	\$ 433,998	\$ 143,242	\$ 232,909	\$ 810,149	\$ 1,302,263

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 435,973	\$ (88,208)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Depreciation	4,701	4,748
Loss (gain) on investments	99	(17,969)
Changes in operating assets and liabilities:		
Pledges receivable	21,502	86,917
Prepaid expenses	8	2,253
Accounts payable	10,030	1,617
Accrued expenses	<u>24,353</u>	<u>(10,649)</u>
Net Cash Provided by (Used in) Operating Activities	496,666	(21,291)
Cash Flows From Investing Activities:		
Sale of investments	236,347	92,940
Purchase of investments	<u>(10,077)</u>	<u>(120,877)</u>
Net Cash Provided by (Used in) Investing Activities	226,270	(27,937)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan payable	<u>57,050</u>	<u> </u>
Net Cash Provided by Financing Activities	57,050	
Net Change in Cash and Cash Equivalents	779,986	(49,228)
Cash and cash equivalents, beginning of year	<u>816,606</u>	<u>865,834</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,596,592</u>	<u>\$ 816,606</u>

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations - Esperanza International Foundation (the Foundation) was formed in November 1992. The Foundation is a Washington State nonprofit corporation with headquarters in Bellevue, Washington. The mission is to free families from poverty and share the hope of Christ. The Foundation primarily provides support to individuals and individual business owners located in the Dominican Republic through the support of Asociación Esperanza Internacional, Inc.

Related Party - Asociación Esperanza Internacional, Inc. is a faith-based association with headquarters in Santo Domingo, Dominican Republic. The main objectives of Asociación Esperanza Internacional, Inc. are:

- To liberate families from poverty through initiatives that generate income, education and health. Restore the self-esteem and dignity to those who have lost it.
- The development of the micro-enterprise, assisting poor people, especially mothers, in the creation of income and employment generation to stabilize personal dignity.
- The community development through schools that emphasize programs on literacy, primary health education, clinical nutrition education, leadership, religious education, and spiritual development.

The Foundation provides a significant portion of the support of Asociación Esperanza Internacional, Inc., and the organizations work collaboratively on program and governance matters. The two organizations are governed by governing boards with common members. The Foundation reported \$205,958 and \$723,148 of expense for support provided to Asociación Esperanza Internacional, Inc. during the years ended December 31, 2020 and 2019, respectively. Additionally, the Foundation passed through \$14,629 and \$77,700 of funds to Asociación Esperanza Internacional, Inc. for the years ended December 31, 2020 and 2019, respectively. Due to COVID-19, the demand for loans at Asociación Esperanza Internacional, Inc. significantly decreased during the year ended December 31, 2020. The excess liquidity was used to pay Asociación Esperanza Internacional, Inc. expenses and originate loans reducing the cash needs of Asociación Esperanza Internacional, Inc. from the Foundation. Additionally, due to the risk of exchange rate loss, management chose to hold funds in local currency.

Basis of Presentation - The Foundation maintains its accounting records using the accrual method of accounting, whereby revenues are recorded when earned and expenses when incurred. The financial statement presentation follows accounting standards generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, the Foundation is required to report financial information regarding its financial position and activities according to two classes of net assets; net assets without donor restriction and net assets with donor restriction.

Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Time restrictions on pledges generally expire in the period that the pledges are due.

Cash and Cash Equivalents - The Foundation considers temporary investments with an original maturity of three months or less to be cash equivalents.

Receivables - Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Changes in the valuation allowance for pledges receivable have not been material to the financial statements.

Property and Equipment - The Foundation capitalizes assets with a cost greater than \$500 and an estimated useful life of one or more years. Depreciation is computed utilizing the straight-line method. Property and equipment are depreciated over an estimated useful life of three to five years. The cost of repairs and maintenance are expensed as incurred. The cost of renewals, replacements and betterments are capitalized.

Investments - The Foundation reports investments at fair value on the statement of financial position.

Contributed Support and Grants - Grants and contributions are recognized in the period received, including unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. There were no conditional contributions as of December 31, 2020 or 2019.

In-Kind Contributions - Donated goods and use of facilities are recorded at fair value at the date of receipt. Donated services are recorded only if specific professional expertise is provided or the services are for constructing a fixed asset, in accordance with U.S. GAAP. In-kind contributions during 2020 and 2019 represent donated use of facility and donated food, beverages and clothing for fundraising events.

Concentrations - The Foundation invests its funds with financial institutions and has established guidelines relative to diversification and maturities that maintain safety and liquidity. Such amounts may be in excess of the FDIC insured amounts.

The Foundation received significant funding during 2020 and 2019 from three contributors. During 2020 the contributors provided \$588,134 and \$501,399, respectively, which represents 47% and 42%, respectively, of the total contributed support and grants to the Foundation.

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized in the statement of activities and changes in net assets on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and wages are allocated based on set allocations which are reviewed yearly to see where actual time was spent. Travel, conference, and meeting expenses are determined by employee based on the purpose behind trip. Program salary expenses are for amounts paid by the Foundation to support programmatic activities at Asociación Esperanza Internacional, Inc. The budget for these allocations is based on historical actuals and trends.

Income Tax Status - The Internal Revenue Service has notified the Foundation that it is exempt from U.S. income tax under section 501(c)(3) of the U.S. Internal Revenue Code.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Amounts for 2019 - The financial statements include certain summarized comparative information in total, but not by net asset class, for the year ended December 31, 2019. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Subsequent Events - The Foundation's management has evaluated subsequent events through June 11, 2021 the date on which the financial statements were available to be issued.

Note 2 - Pledges Receivable

Pledges receivable at December 31, 2020 and 2019 were all scheduled to be collected within one year of the date of the statement of financial position.

Management determined no allowance for doubtful promises to give was required at December 31, 2020 and 2019.

Note 3 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 18,057	\$ 18,057
Website design	<u>22,190</u>	<u>22,190</u>
	40,247	40,247
Less accumulated depreciation	<u>(33,583)</u>	<u>(28,883)</u>
	<u><u>\$ 6,664</u></u>	<u><u>\$ 11,364</u></u>

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 4 - Investments and Fair Value Measurements

Investments consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ -	\$ 236,446
Mutual funds	<u>10,077</u>	
	<u>\$ 10,077</u>	<u>\$ 236,446</u>

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual Funds - Valued at the closing price reported on the active market on which the securities are traded.

Money Market Funds - Valued using cost plus accrued interest.

All of the Foundation's investments measured at fair value were in mutual funds and equity securities and are considered to be valued with Level 1 inputs.

Note 5 - Paycheck Protection Program Loan Payable

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On May 5, 2020, the Foundation obtained a loan under the PPP with a principal balance of \$57,050 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning October 5, 2021 through maturity on May 5, 2022.

ESPERANZA INTERNATIONAL FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

Note 5 - Continued

Future minimum principal payments on the PPP loan are as follows:

For the Year Ending December 31,

2021	\$ 28,335
2022	28,715
	<u>\$ 57,050</u>

All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The Foundation's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the gain from forgiveness when the loan is forgiven by the lender. No such gain was recognized during the year ended December 31, 2020.

Note 6 - Net Assets With Donor Restrictions

Net assets were restricted by donors as follows at December 31:

	<u>2020</u>	<u>2019</u>
Program related purposes	\$ 239,145	\$ 22,367
Available in future periods	65,167	86,670
	<u>\$ 304,312</u>	<u>\$ 109,037</u>

Note 7 - Liquidity and Availability

The Foundation has a goal to maintain financial assets, which consist of cash, short-term investments, and pledges receivable on hand, to meet three to six months of normal operating expenses. The Foundation has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments.

The following reflects the Foundation's financial assets as of December 31, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts not available include amounts restricted by donors for program related purposes.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,596,592	\$ 816,606
Short-term investments	10,077	236,446
Pledges receivable	65,167	86,670
Total financial assets	1,671,836	1,139,722
Less amounts donor-restricted for program related purposes	<u>(239,145)</u>	<u>(22,367)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,432,691</u>	<u>\$ 1,117,355</u>