



Financial Statements

For the Year Ended December 31, 2021

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Independent Auditor's Report

**To the Board of Directors
Esperanza International Foundation
Bellevue, Washington**

Opinion

We have audited the financial statements of Esperanza International Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Esperanza International Foundation (the Foundation) as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Esperanza International Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the 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 Esperanza International Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Auditor's 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 auditor's 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 GAAS 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 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 GAAS, 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 Esperanza International Foundation'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 Foundation'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.

Other Information Included in the 2021 Annual Report

Management is responsible for the other information included in the 2021 Annual Report. The other information comprises the information included in the 2021 Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Clark Nuber P.S.

Certified Public Accountants
May 31, 2022

ESPERANZA INTERNATIONAL FOUNDATION

Statement of Financial Position

December 31, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,302,507	\$ 1,596,592
Short-term investments	503,291	10,077
Pledges receivable	75,005	65,167
Prepaid expenses	5,395	653
Other assets	2,031	11,727
	<u>1,888,229</u>	<u>1,684,216</u>
Total Assets	\$ 1,888,229	\$ 1,684,216
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 13,478	\$ 19,630
Accrued expenses	25,985	33,222
Paycheck Protection Program loan payable		57,050
	<u>39,463</u>	<u>109,902</u>
Total Liabilities	39,463	109,902
Net Assets:		
Without donor restriction	1,473,385	1,270,002
With donor restriction	375,381	304,312
	<u>1,848,766</u>	<u>1,574,314</u>
Total Net Assets	1,848,766	1,574,314
Total Liabilities and Net Assets	\$ 1,888,229	\$ 1,684,216

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	
Revenues and Support:				
Contributed support and grants	\$ 458,493	\$ 530,580	\$ 989,073	\$ 1,153,543
In-kind contributions	9,664		9,664	2,867
Special events	243,725		243,725	89,155
Investment return and other	966		966	557
Releases of restriction	459,511	(459,511)		
Total Revenues and Support	1,172,359	71,069	1,243,428	1,246,122
Expenses:				
Program	574,764		574,764	433,998
Management and general	134,874		134,874	143,242
Fundraising	259,338		259,338	232,909
Total Expenses	968,976		968,976	810,149
Change in Net Assets	203,383	71,069	274,452	435,973
Net assets, beginning of year	1,270,002	304,312	1,574,314	1,138,341
Net Assets, End of Year	\$ 1,473,385	\$ 375,381	\$ 1,848,766	\$ 1,574,314

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021				2020
	Program	Management and General	Fundraising	Total	
Salaries, wages and related costs	\$ 212,752	\$ 80,028	\$ 167,281	\$ 460,061	\$ 484,207
Direct support to Asociación Esperanza Internacional, Inc.	354,700			354,700	205,958
Professional fees		35,842		35,842	54,507
Events and other fundraising costs			59,709	59,709	24,506
Travel, conference and meeting expenses	7,312		18,216	25,528	13,217
Occupancy expenses		8,400		8,400	10,650
Office, supplies and administrative costs		5,541	5,209	10,750	11,105
Depreciation		5,063	4,632	9,695	4,701
Staff development and conferences			4,291	4,291	1,298
Total Expenses	\$ 574,764	\$ 134,874	\$ 259,338	\$ 968,976	\$ 810,149

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 274,452	\$ 435,973
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Paycheck protection program loan revenue	(57,050)	
Loss on investments	4,830	99
Changes in operating assets and liabilities:		
Pledges receivable	(9,838)	21,502
Prepaid expenses	(4,742)	8
Accounts payable	(6,152)	10,030
Accrued expenses	(7,237)	24,353
Other assets	9,696	4,701
	<u>203,959</u>	<u>496,666</u>
Net Cash Provided by Operating Activities	203,959	496,666
Cash Flows From Investing Activities:		
Sale of investments	30,303	236,347
Purchase of investments	(528,347)	(10,077)
	<u>(498,044)</u>	<u>226,270</u>
Net Cash (Used in) Provided by Investing Activities	(498,044)	226,270
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan payable		<u>57,050</u>
		<u>57,050</u>
Net Cash Provided by Financing Activities		57,050
Net Change in Cash and Cash Equivalents	(294,085)	779,986
Cash and cash equivalents, beginning of year	<u>1,596,592</u>	<u>816,606</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,302,507</u>	<u>\$ 1,596,592</u>

See accompanying notes.

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

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 \$354,700 and \$205,958 of expense for support paid directly to or on behalf of Asociación Esperanza Internacional, Inc. during the years ended December 31, 2021 and 2020, respectively. Additionally, the Foundation passed through \$46,245 and \$14,629 of funds to Asociación Esperanza Internacional, Inc. for the years ended December 31, 2021 and 2020, respectively. Due to COVID-19, the demand for loans at Asociación Esperanza Internacional, Inc. significantly decreased during the years ended December 31, 2021 and 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 the U.S. dollar.

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, 2021 (With Comparative Totals for 2020)

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.

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, 2021 or 2020.

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 2021 and 2020 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 2021 from two contributors and during 2020 from three contributors. During 2021, the Foundation received \$330,000 from the two contributors, which represented 27% of total contributed support and grants for that year. During 2020, the Foundation received \$588,134 from the three contributors, which represented 47% of total contributed support and grants for that year.

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.

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

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 2020 - The financial statements include certain summarized comparative information in total, but not by net asset class, for the year ended December 31, 2020. 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, 2020, from which the summarized information was derived.

Subsequent Events - The Foundation's management has evaluated subsequent events through May 31, 2022, the date on which the financial statements were available to be issued.

Note 2 - Pledges Receivable

Pledges receivable at December 31, 2021 and 2020 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, 2021 and 2020.

Note 3 - Investments and Fair Value Measurements

Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 251,969	\$ -
Mutual funds	251,322	10,077
	<u><u>\$ 503,291</u></u>	<u><u>\$ 10,077</u></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.

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 3 - Continued

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, 2021 and 2020.

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 4 - 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.

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. In June 2021, the Foundation received loan forgiveness from the Small Business Administration (SBA) and the lender for the full principal of \$57,050. The transaction is reported as grant revenue on the statement of activities and changes in net assets for the year ended December 31, 2021.

Note 5 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Program related purposes	\$ 300,376	\$ 239,145
Available in future periods	75,005	65,167
	<u><u>\$ 375,381</u></u>	<u><u>\$ 304,312</u></u>

Note 6 - 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.

ESPERANZA INTERNATIONAL FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

Note 6 - Continued

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,302,507	\$ 1,596,592
Short-term investments	503,291	10,077
Pledges receivable	<u>75,005</u>	<u>65,167</u>
Total financial assets	1,880,803	1,671,836
Less amounts donor-restricted for program related purposes	<u>(300,376)</u>	<u>(239,145)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,580,427</u>	<u>\$ 1,432,691</u>