

Amigos de Jesus and Amigos de Jesus Foundation

Consolidated Financial Statements
Year Ended December 31, 2019



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**AMIGOS DE JESUS AND
AMIGOS DE JESUS FOUNDATION**

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INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Amigos de Jesus and Amigos de Jesus Foundation
Hatboro, Pennsylvania**

We have audited the accompanying financial statements of Amigos de Jesus and Amigos de Jesus Foundation (nonprofit organizations), which comprise the consolidated statement of assets, liabilities and net assets – modified cash basis as of June 30, 2020, and the related consolidated statement of support, revenues, expenses and other changes in net assets – modified cash basis, consolidated statement of functional expenses – modified cash basis and consolidated statement of cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 2; 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 U.S. generally accepted auditing standards. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Amigos de Jesus and Amigos de Jesus Foundation as of June 30, 2020, and its support, revenue, expenses and other changes in net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Report on 2019 Financial Statements

The financial statements of Amigos de Jesus and Amigos de Jesus Foundation as of June 30, 2019 were audited by other auditors, whose report dated November 4, 2019, expressed an unmodified opinion on those statements.

Correction of Error

As discussed in Note 3 to the financial statements, certain errors resulting in overstatement of amounts previously reported as property, plant and equipment as of June 30, 2019, were discovered by management during the current year. As a result, a prior period adjustment was made as of July 1, 2019 to decrease net assets by \$190,884. Our opinion is not modified with respect to this matter. As part of our audit of the 2020 financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the Amigos de Jesus and Amigos de Jesus Foundation other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

**Philadelphia, Pennsylvania
, 2020**

**AMIGOS DE JESUS AND
AMIGOS DE JESUS FOUNDATION**

**CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS**

December 31, 2019

ASSETS

Cash and cash equivalents	\$ 1,241,821
Investments	3,874,412
Loans receivable and other assets	9,675
Deposits	676
Property and equipment, net	<u>1,983,139</u>
Total assets	<u>\$ 7,109,723</u>

NET ASSETS

Without donor restrictions	6,915,526
With donor restrictions	<u>194,197</u>
Total net assets	<u>\$ 7,109,723</u>

See accompanying notes

**AMIGOS DE JESUS AND
AMIGOS DE JESUS FOUNDATION**

CONSOLIDATED STATEMENT OF SUPPORT, REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions			
Donations	\$ 1,096,942	\$ 463,256	\$ 1,560,198
In-kind donations	124,990	-	124,990
Fundraising events, net of direct benefit to donor	297,165	-	297,165
Investment income (loss)	567,105	-	567,105
Other	67,849	-	67,849
Gain (loss) on currency exchange	20,381	-	20,381
Net assets released from restrictions	<u>284,059</u>	<u>(284,059)</u>	<u>-</u>
Total revenue and support	<u>2,458,491</u>	<u>179,197</u>	<u>2,637,688</u>
EXPENSES			
Program	1,915,454	-	1,915,454
Supporting			
Management and general	394,841	-	394,841
Development	<u>111,939</u>	<u>-</u>	<u>111,939</u>
Total expenses	<u>2,422,234</u>	<u>-</u>	<u>2,422,234</u>
CHANGE IN NET ASSETS	36,257	179,197	215,454
NET ASSETS			
Beginning of year, as restated	<u>6,879,269</u>	<u>15,000</u>	<u>6,894,269</u>
End of year	<u>\$ 6,915,526</u>	<u>\$ 194,197</u>	<u>\$ 7,109,723</u>

See accompanying notes

**AMIGOS DE JESUS AND
AMIGOS DE JESUS FOUNDATION**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

Year ended December 31, 2019

	<u>Support Services</u>				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Support Services</u>	
Payroll	\$ 940,997	\$ 66,000	\$ 47,000	\$ 113,000	\$ 1,053,997
Employee Benefits and payroll taxes	195,714	18,177	12,944	31,121	226,835
Contract Services	25,493	95,437	38,899	134,336	159,829
Donated legal services	-	103,490	-	103,490	103,490
Shelter Support	81,611	-	-	-	81,611
Agriculture	24,924	-	-	-	24,924
School	105,210	-	-	-	105,210
Travel Expenses	57,199	-	-	-	57,199
Carestaff, kitchen, food, clothing	211,349	-	-	-	211,349
Volunteer Costs	30,201	-	-	-	30,201
Operations	165,751	98,749	13,096	111,845	277,596
Insurance	5,522	12,988	-	12,988	18,510
Depreciation	71,483	-	-	-	71,483
	<u>\$ 1,915,454</u>	<u>\$ 394,841</u>	<u>\$ 111,939</u>	<u>\$ 506,780</u>	<u>\$ 2,422,234</u>

See accompanying notes

**AMIGOS DE JESUS AND
AMIGOS DE JESUS FOUNDATION**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 215,454
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	71,483
Realized gain on investments	(3,966)
Unrealized gain on investments	(449,369)
(Increase) decrease in	
Loans receivable and other assets	(6,241)
Deposits	(448)
Net cash provided by (used for) operating activities	<u>(173,087)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(313,585)
Purchase of investments	(607,648)
Proceeds from sale of investments	<u>1,022,755</u>
Net cash provided by (used for) investing activities	<u>101,522</u>

Net change in cash and cash equivalents (71,565)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>1,313,386</u>
End of year	<u>\$ 1,241,821</u>

See accompanying notes

AMIGOS DE JESUS AND AMIGOS DE JESUS FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

(1) NATURE OF OPERATIONS

Amigos de Jesus is a nonprofit organization that provides support to abandoned children in Honduras by providing physical, social, emotional, intellectual, and spiritual care. The orphanage is located in Central America (Honduras), with administrative offices located in the United States (Horsham, PA).

Amigos de Jesus Foundation is a nonprofit organization funded through a transfer of assets from Amigos de Jesus. The Articles of Incorporation specifies that the Foundation was organized for the benefit of Amigos de Jesus and funds are to be used for charitable, religious, educational and scientific purposes, and making distributions to organizations that qualify as exempt organizations.

All significant transactions between Amigos de Jesus and Amigos de Jesus Foundation (collectively, the "**Organizations**") have been eliminated in the consolidated financial statements.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared on the cash basis of accounting, modified to include depreciation and to report investments at fair value. Under the modified cash basis of accounting, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America primarily because the Organizations have not recognized contributions receivable from donors, accounts payable to vendors, or their related effects on the change in net assets in the accompanying financial statements.

Financial Statement Presentation

The Organizations report information regarding its net assets and activities according to the following classes of net assets:

Without donor restrictions

Net assets which are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organizations and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of support, revenues, expenses and other changes in net assets – modified cash basis as "net assets released from restrictions."

Also included in this category are net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of the Organizations. The Organizations did not have this type of net asset with donor restrictions at December 31, 2019.

Cash and Cash Equivalents

For purposes of the statements of cash flows – modified cash basis, the Organizations consider all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

AMIGOS DE JESUS AND AMIGOS DE JESUS FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, which are determined by reference to quoted market prices, in the consolidated statements of assets, liabilities and net assets – modified cash basis. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of support, revenues, expenses, and other changes in net assets – modified cash basis. Dividend and interest income is recorded when received

The Organizations invest in a portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect the investment balances and the amounts reported in the financial statements.

Fair Value Measurements of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Accounting standards establish fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organizations. Unobservable inputs reflect the Organizations' assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organizations have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organizations' own assumptions.

Property and Equipment

Property and equipment are capitalized at cost when purchased. Maintenance and repairs are charged to operations as incurred. Donated fixed assets are recorded at estimated fair value when received. Depreciation is computed using both straight-line over the estimated useful lives of the assets. The useful lives of property and equipment for the purpose of computing depreciation are:

Buildings and improvements	15 to 40 years
Furniture, equipment and computers	3 to 10 years
Vehicles	5 years

Revenue Recognition

The Organizations recognize contributions when cash, securities or other assets; is received. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt.

AMIGOS DE JESUS AND AMIGOS DE JESUS FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

The Organizations also hold special fundraising events. The Organizations record special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions.

The Organizations record donated services that create or enhance nonfinancial assets and that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organizations records the value of contributed goods, insurance and rent when there is an objective basis available to measure their value. In kind donations are included as support in the accompanying statement of activities at their estimated values at the time received.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of support, revenues, expenses, and other changes in net assets – modified cash basis. The consolidated statement of functional expenses – modified cash basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and employee benefits, which are allocated on the basis of estimates of time and effort.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Organizations are exempt from federal income taxes under Section 501(c) of the Internal Revenue Code and no provision or liability for income taxes is included in the accompanying consolidated financial statements.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organizations believe that it has no uncertain tax positions as defined in GAAP.

Concentrations of Credit Risk

The Organizations maintain cash balances at several financial institutions. The accounts based in the United States at these institutions are insured by the Federal Deposit Insurance Corporation. In the normal course of business, the Organizations have deposits that exceed the insured balances.

Accounting Pronouncements Adopted

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Organizations adopted ASU 2018-08 on January 1, 2019 and the adoption did not have a material impact on the financial statements.

AMIGOS DE JESUS AND AMIGOS DE JESUS FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

(3) PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2019, management determined that the prior year financial statements erroneously overstated property, plant and equipment due to incorrect application of the translation rates used on the Honduran properties. As a result, net assets were overstated by \$190,884 at December 31, 2019. A prior period adjustment was made as of January 1, 2019 to correct this error.

(4) INVESTMENTS

Investments at December 31, 2019 consisted of the following:

Marketable equity securities	\$ 35,798
Mutual funds	
Equities	10,166
Fixed income	1,029,692
Exchanged traded funds	2,696,135
Municipal bonds	<u>102,621</u>
	<u>\$ 3,874,412</u>

The fair value of investments was determined using level 1 valuation inputs except for municipal bonds which are valued using level 2 valuation inputs.

Investment income was comprised of the following:

Interest and dividends	\$ 113,770
Realized gain on sale of investments	3,966
Net unrealized gain on investments	<u>449,369</u>
	<u>\$ 567,105</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 consisted of the following:

Land	\$ 281,486
Building and improvements	1,491,640
Vehicles	176,555
Furniture, equipment and computers	121,060
Biological assets	22,690
Construction in progress	<u>455,575</u>
	2,549,006
Less accumulated depreciation	<u>565,867</u>
Net property and equipment	<u>\$ 1,983,139</u>

Depreciation expense for the year ended December 31, 2019 was \$71,483.

**AMIGOS DE JESUS AND
AMIGOS DE JESUS FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 consisted of the following:

	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>Balance December 31, 2019</u>
Colegio School	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital Projects	-	390,148	(210,951)	179,197
Sponsor a child program	-	7,908	(7,908)	-
Programming/Staff	-	65,200	(65,200)	-
	<u>\$ 15,000</u>	<u>\$ 463,256</u>	<u>\$ (284,059)</u>	<u>\$ 194,197</u>

(7) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organizations' consolidated financial assets that are available within one year:

Cash and cash equivalents	\$ 1,241,821
Investments	3,874,412
Loans receivable - other	<u>9,675</u>
Total financial assets	5,125,908
Less financial assets not available for general expenditure within one year	
Net assets with donor restrictions	<u>(194,197)</u>
Financial assets available within one year for general expenditure	<u>\$ 4,931,711</u>

Liquidity Management

As part of the Organizations' liquidity management, policies to structure its financial assets to be available as its general expenditures and other obligations come due. This also includes periodic transfers from the Amigos de Jesus Foundation to Amigos de Jesus.

(8) RELATED PARTY TRANSACTIONS

The Organization provided a loan to an employee with a current balance of \$8,641. The loan is to be repaid in periodic installments maturing in January 2027.

For the year ended December 31, 2019, the Amigos de Jesus Foundation made a contribution in the amount of \$442,000 to Amigos de Jesus. This transaction was eliminated on the consolidated statements of support, revenues, expenses, and other changes in net assets – modified cash basis on the consolidated financial statements.

**AMIGOS DE JESUS AND
AMIGOS DE JESUS FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2020, the date on which the consolidated financial statements were available to be issued. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our clients and employees and impact on our donors and their level of contributions and the impact on our investment performance, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. No other material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

**AMIGOS DE JESUS AND
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**CONSOLIDATING STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS**

December 31, 2019

	<u>Amigos de Jesus</u>	<u>Amigos de Jesus Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 187,659	\$ 1,054,162	\$ -	\$ 1,241,821
Investments	4,067	3,870,345	-	3,874,412
Loans receivable and other assets	9,675	-	-	9,675
Deposits	676	-	-	676
Property and equipment, net	1,983,139	-	-	1,983,139
Receivables - related party	20,185	-	(20,185)	-
Total assets	<u>\$ 2,205,401</u>	<u>\$ 4,924,507</u>	<u>\$ (20,185)</u>	<u>\$ 7,109,723</u>
LIABILITIES				
Payables - related party	-	20,185	(20,185)	-
	-	20,185	(20,185)	-
NET ASSETS				
Without donor restrictions	2,011,204	4,904,322	-	6,915,526
With donor restrictions	194,197	-	-	194,197
Total net assets	<u>2,205,401</u>	<u>4,904,322</u>	<u>-</u>	<u>7,109,723</u>
Total liabilities and net assets	<u>\$ 2,205,401</u>	<u>\$ 4,924,507</u>	<u>\$ (20,185)</u>	<u>\$ 7,109,723</u>

See accompanying notes

**AMIGOS DE JESUS AND
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CONSOLIDATING STATEMENT OF SUPPORT, REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS

Year ended December 31, 2019

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	<u>Amigos de Jesus</u>		<u>Amigos de Jesus Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>			
REVENUE AND SUPPORT					
Contributions					
Donations	\$ 979,256	\$ 463,256	\$ 117,686	\$ -	\$ 1,560,198
Amigos de Jesus Foundation	442,000	-	-	(442,000)	-
In-kind donations	124,990	-	-	-	124,990
Fundraising events, net of direct benefit to donor	297,165	-	-	-	297,165
Investment income	4,160	-	562,945	-	567,105
Other	67,849	-	-	-	67,849
Loss on currency exchange	20,381	-	-	-	20,381
Net assets released from restrictions	284,059	(284,059)	-	-	-
Total revenue and support	<u>2,219,860</u>	<u>179,197</u>	<u>680,631</u>	<u>(442,000)</u>	<u>2,637,688</u>
EXPENSES					
Program	1,915,454	-	442,000	(442,000)	1,915,454
Supporting					
Management and general	394,841	-	-	-	394,841
Development	111,939	-	-	-	111,939
Total expenses	<u>2,422,234</u>	<u>-</u>	<u>442,000</u>	<u>(442,000)</u>	<u>2,422,234</u>
CHANGE IN NET ASSETS	(202,374)	179,197	238,631	-	215,454
NET ASSETS					
Beginning of year, as restated	<u>2,213,578</u>	<u>15,000</u>	<u>4,665,691</u>	<u>-</u>	<u>6,894,269</u>
End of year	<u>\$ 2,011,204</u>	<u>\$ 194,197</u>	<u>\$ 4,904,322</u>	<u>\$ -</u>	<u>\$ 7,109,723</u>