



**HERNANDEZ & TACORONTE, P.A.**  
**Certified Public Accountants**



**Consolidated Financial Statements  
and Independent Auditors' Report**

**Alfalit International, Inc. and Affiliate**

**December 31, 2019**

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**HERNANDEZ & TACORONTE, P.A.**

Certified Public Accountants

**Independent Auditors' Report**

Board of Directors  
Alfalit International, Inc. and Affiliate

**Report on the Financial Statements**

We have audited the accompanying financial statements of Alfalit International, Inc. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, cash flows, and functional expenses 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.

**Auditors' 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.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alfalit International, Inc. and Affiliate as of December 31, 2019 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.

Miami, Florida  
August 28, 2020

Alfalt International, Inc. and Affiliate  
**Consolidated Statement of Financial Position**  
December 31, 2019

<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$	715,815
Unconditional promises to give		322,569
Accounts receivable - net		5,200
Employee advances		8,769
Prepaid expenses		<u>154,752</u>
Total current assets		1,207,105
<b>Property and Equipment - Net</b>		<u>104,625</u>
Total assets	\$	<u><u>1,311,730</u></u>
 <b>Liabilities and Net Assets</b> 		
<b>Liabilities</b>		
Accounts payable	\$	<u>14,627</u>
Total current liabilities		14,627
 <b>Net Assets</b>		
Without donor restrictions		1,264,049
With donor restrictions		<u>33,054</u>
Total net assets		<u>1,297,103</u>
Total liabilities and net assets	\$	<u><u>1,311,730</u></u>

The accompanying notes are an integral part of this statement

Alfalit International, Inc. and Affiliate  
**Consolidated Statement of Activities**  
For the year ended December 31, 2019

		Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>				
Contributions		\$ 4,148,151	\$ 22,300	\$ 4,170,451
Special fundraising events revenue	\$ 1,208,385			
Less: Cost of direct benefits to donors	<u>263,601</u>			
Net revenue from special events		944,784	-	944,784
In-kind contributions		53,152	-	53,152
Interest and other income		11,063	-	11,063
Released from restrictions		<u>37,600</u>	<u>(37,600)</u>	<u>-</u>
<b>Total support and revenue</b>		<b>5,194,750</b>	<b>(15,300)</b>	<b>5,179,450</b>
 <b>Expenses:</b>				
Program services		4,376,375	-	4,376,375
General and administrative		322,153	-	322,153
Fundraising		<u>405,777</u>	<u>-</u>	<u>405,777</u>
<b>Total expenses</b>		<b>5,104,305</b>	<b>-</b>	<b>5,104,305</b>
 Change in net assets		 90,445	 (15,300)	 75,145
 Net assets at January 1, 2019		 <u>1,173,604</u>	 <u>48,354</u>	 <u>1,221,958</u>
Net assets at December 31, 2019		<b><u>\$ 1,264,049</u></b>	<b><u>\$ 33,054</u></b>	<b><u>\$ 1,297,103</u></b>

The accompanying notes are an integral part of this statement

Alfalit International, Inc. and Affiliate  
**Consolidated Statement of Cash Flows**  
For the year ended December 31, 2019

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 75,145
Adjustments to reconcile change in net assets to net cash flows used in operating activities:	
Depreciation	13,514
Loan forgiveness	50,958
Changes in assets and liabilities	
(Increase) Decrease:	
Unconditional promises to give	(284,494)
Accounts receivable	29,789
Employee advances	(1,880)
Deposits and prepaid expenses	(104,752)
Program materials and supplies	221,903
Increases (Decreases):	
Accounts payable	(11,523)
Net cash used in by operating activities	(11,340)
<b>Cash flows from investing activities</b>	
Acquisition of equipment	(6,304)
Net cash used in investing activities	(6,304)
<b>Decrease in Cash</b>	(17,644)
<b>Cash at January 1, 2019</b>	733,459
<b>Cash at December 31, 2019</b>	\$ 715,815

The accompanying notes are an integral part of this statement

**Alfalit International, Inc. and Affiliate**  
**Consolidated Statement of Functional Expenses**  
For the year ended December 31, 2019

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Total Program Services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Supporting Services</u>	
Operating expenses:					
Salaries	\$ 1,817,079	\$ 32,501	\$ 177,357	\$ 209,858	\$ 2,026,937
Payroll taxes	91,239	2,488	12,681	15,169	106,408
Employee benefits	130,484	8,914	17,028	25,942	156,426
Professional fees	130,374	150,210	171,198	321,408	451,782
Vehicles expense	85,894	-	-	-	85,894
Repairs and maintenance	28,971	14,245	-	14,245	43,216
Books and supplies	646,145	13,160	-	13,160	659,305
Telephone	30,980	5,019	-	5,019	35,999
Postage	3,412	1,272	-	1,272	4,684
Freight	27,685	-	-	-	27,685
Occupancy cost	115,660	57,081	-	57,081	172,741
Seminars and training	49,028	1,095	-	1,095	50,123
Travel expense	183,532	-	7,227	7,227	190,759
Philanthropic support to countries	307,543	-	-	-	307,543
Depreciation	-	13,514	-	13,514	13,514
In-Kind donations	53,152	-	-	-	53,152
Other expenses	675,197	22,654	20,286	42,940	718,137
Total functional expenses	<u>\$ 4,376,375</u>	<u>\$ 322,153</u>	<u>\$ 405,777</u>	<u>\$ 727,930</u>	<u>\$ 5,104,305</u>

The accompanying notes are an integral part of this statement



Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2019

**Note 1 – Organization**

Alfalit International, Inc. was incorporated in Florida in 1975 as a faith based, world literacy grassroots movement committed to improving the lives of the less privileged by teaching illiterates to read and write. The programs include literacy, adult education, preschool, health, and nutrition and community development. Alfalit operates in 16 countries, including the United States of America, in four continents. In 2019, Alfalit served 44,647 adult students, including 70% women (literacy, basic education, ACE, scholarships and microcredit), 3,983 preschool children and 2,519 job skills students.

Alfalit provides methodology, training and literacy materials in Spanish, English, Portuguese, Haitian Creole, French and several indigenous languages. Alfalit operates in 16 countries by either direct project control, providing the use of the Alfalit program materials or in collaboration with other organizations with similar missions. Alfalit's 1,586 trained volunteer teachers have taught millions of people to read and write using a simple, yet effective methodology. Alfalit's methodology and educational programs have been recognized nationally and internationally. In 1983, UNESCO presented Alfalit's program in Peru with its First Prize in Adult Literacy. In 1992, it gave special recognition to Alfalit's programs in Guatemala. Moreover, in September 2006, Alfalit was recognized for its program in Bolivia at the first White House Conference on Global Literacy. In 2011, President Barak Obama honored Alfalit's Board President Emeritus Roberto Perez with the 2011 Presidential Citizens Medal for bringing the gift of literacy to communities worldwide.

Alfalit Realty Holdings, Inc. was incorporated in Florida in 2002 for the purpose of owning certain real property used by Alfalit International, Inc.

**Note 2 – Summary of Significant Accounting Policies**

**Principles of Consolidation** - The consolidated financial statements include the accounts of Alfalit International, Inc. and Alfalit Realty Holdings, Inc. The financial statements of these organizations have been consolidated because they have overlapping Board of Directors. All significant inter-company balances and transactions have been eliminated from the consolidated financial statements.

**Financial Statement Presentation** - The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Presentation of Financial Statements of Not-for-Profit Entities* dated August 2016.

Under these standards, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2019

**Note 2 – Summary of Significant Accounting Policies - Continued**

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, the Organization has defined cash and cash equivalents as those highly liquid investments purchased with an original maturity of three months or less. Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash in excess of federally insured limits. The Organization generally limits the amount of credit exposure by maintaining its cash balances under these limits.

**Program Materials and Supplies** - Program materials and supplies consist of books and other teaching materials acquired by the Organization for use in teaching participants to read, write, and do basic math. Program materials and supplies are stated at cost.

**Unconditional Promises to Give** - Contributions and pledges are recorded as receivables in the year made, net of estimated uncollectible amounts and discounts.

**Property and Equipment** - Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to compute depreciation range from 5 years to 31 years. Donated property and equipment are recorded at their estimated fair market value at the date of donation. The Organization capitalizes property and equipment costing over \$1,000. Lesser amounts are expensed. Costs of major additions and improvements that extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Support and Revenue** — Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2019

**Note 2 – Summary of Significant Accounting Policies - Continued**

**In-Kind Contributions and Services** - In-kind contributions of donated non-cash assets are recorded at their fair value in the period received. They consist primarily of volunteer services, donated books, facilities and supplies. The Organization only recorded the value of donated services for field personnel, classrooms and materials for Bolivia supported operations, but it is estimated that there are over 6,500 additional facilitators in the field donating services to the Organization in Central America, Latin America, Africa, Europe, and the Caribbean that have not been accounted for.

Donations, ticket sales, auction sales and sponsorships revenues related to special events are recognized when the events take place net of the costs of direct donor benefits that are not program related costs and are provided in exchange transactions.

**Functional Allocation of Expenses** - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For the year ended December 31, 2019, general and administrative expenses represented 6.2% of total support and revenues.

**Income Taxes** - Alfalit International, Inc. is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity. Accordingly, a provision for income taxes is not required as of December 31, 2019.

Alfalit Realty Holdings, Inc has been granted an exemption from income taxes under Internal Revenue Code 501(c)(2) for the purpose of holding title to property. Accordingly, a provision for income taxes is not required as of December 31, 2019.

The Organization has adopted "*Accounting for Uncertainties in Income Taxes*" as prescribed by FASB, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination.

**Management's Use of Estimates** - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at December 31, 2019 and the reported amounts of revenue and expenses during the year then ended. Actual results could differ from those estimates.

**Subsequent Events** - The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through August 28, 2020, which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown how this negative outlook will impact the Organization's financial statements. No adjustments have been made to the accompanying financial statements as a result of the current events.

Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2019

**Note 3 — Net Assets — With Donor Restrictions**

Donor restricted net assets consist for the following purposes as of December 31, 2019:

Not subject to appropriation or expenditure:	
Original donor-restricted gift amounts required to be held indefinitely	<u>\$33,054</u>
Total net assets with donor restrictions	<u>\$33,054</u>

Releases from donor restricted net assets for the year 2019 were:

Subject to expenditure for specified purpose	<u>\$37,600</u>
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**Note 4 — Accounts Receivable**

At December 31, 2019 accounts receivable consisted of trade and rents receivable, net of a \$2,000 allowance for uncollectible accounts.

**Note 5 – Property and Equipment**

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

Building	\$ 152,677
Building improvements	147,711
Furniture and equipment	9,367
Software	<u>4,270</u>
	314,025
Accumulated depreciation	<u>209,400</u>
	<u>\$ 104,625</u>

The Organization recorded depreciation of \$13,514 for the year ended December 31, 2019.

**Note 6 – Related Party Transactions**

The total contributions of \$4,170,451 recorded for 2019 include \$3,988,159 contributed by Board members.

**Note 7 – Revenue and Other Support**

For the year ended December 31, 2019, the Organization had total gross support and revenue of \$5,443,051 of which \$3,988,159 was received from board members. The support received from board members represented approximately 73% of its total support for the year.

Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2019

**Note 8 — Special Events**

Special events generate revenue for the Organization as well as raise awareness about its mission. Some events are annual and some are incidental to the Organization's central activities and do not happen regularly. Revenues from incidental events are disclosed net of related expenses in the accompanying Statement of Activities.

In November 2019, the Organization held the annual gala, its major annual event. The revenues and related from the gala are as follows:

<u>Revenues from Annual Gala:</u>		
Sponsorship contributions		\$ 595,099
Special event revenue	\$ 516,815	
Less: Cost of direct benefit to donors	<u>(263,601)</u>	
Subtotal		<u>253,214</u>
Net revenues		<u>\$ 848,313</u>

