



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

**Alfalit International, Inc. and Affiliate**

**December 31, 2020**

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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, 2020, 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, 2020 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.

**Emphasis of a Matter**

As discussed in Note 12, in 2020 the Organization adopted Financial Accounting Standards Board Accounting Standards Update (AUS) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Our opinion is not modified with respect to this matter.

Miami, Florida  
September 27, 2021

Alfalit International, Inc. and Affiliate  
**Consolidated Statement of Financial Position**  
December 31, 2020

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 1,193,498
Unconditional promises to give	85,000
Accounts receivable, net	10,700
Employee advances	13,646
Program materials	14,847
Prepaid expenses	<u>118,676</u>
Total current assets	1,436,367
<b>Property and equipment - Net</b>	<u>90,511</u>
Total Assets	<u><u>\$ 1,526,878</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ <u>24,287</u>
Total Current Liabilities	24,287
<b>SBA Loan Payable</b>	153,312
<b>Net Assets</b>	
Without donor restrictions	1,316,325
With donor restrictions	<u>32,954</u>
Total net assets	<u>1,349,279</u>
Total Liabilities and Net Assets	<u><u>\$ 1,526,878</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 2,922,237	\$ -	\$ 2,922,237
Government grants	64,981		64,981
Special fundraising events revenue	\$ 249,350		
Less: Cost of direct benefits to donors	<u>38,658</u>		
Net revenue from special events	210,692	-	210,692
In-kind contributions	32,869	-	32,869
Rental income and interest	11,051	-	11,051
Released from restrictions	<u>100</u>	<u>(100)</u>	<u>-</u>
Total support and revenue	3,241,930	(100)	3,241,830
Expenses:			
Program services	2,547,084	-	2,547,084
General and administrative	232,648	-	232,648
Fundraising	<u>409,922</u>	<u>-</u>	<u>409,922</u>
Total expenses	3,189,654	-	3,189,654
Change in net assets	52,276	(100)	52,176
Net assets at January 1, 2020	<u>1,264,049</u>	<u>33,054</u>	<u>1,297,103</u>
Net assets at December 31, 2020	<u>\$ 1,316,325</u>	<u>\$ 32,954</u>	<u>\$ 1,349,279</u>

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, 2020

**Increase (Decrease) in Cash:**

**Cash from Operating Activities**

Change in net assets	\$ 52,176
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Adjustments to reconcile net change in net assets to net cash provided by operating activities:

Depreciation expense	14,114
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Changes in assets and liabilities:

(Increases) Decreases:

Accounts receivable	(5,500)
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Unconditional promises to give	237,569
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Employees advances	(4,877)
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Prepaid expenses	36,076
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Program materials and supplies	(14,847)
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Increases (Decreases):

Accounts payable	9,660
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Net cash provided by operating activities	324,371
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**Cash from Financing Activities**

SBA loan proceeds and accrued interest	153,312
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Net cash provided by financing activities	153,312
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Net Increase in Cash	477,683
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Cash at January 1, 2020	715,815
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Cash at December 31, 2020	<u>\$ 1,193,498</u>
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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, 2020

	Program Services		Supporting Services		Total
	Total Program Services	General and administrative	Fundraising	Supporting Services	Total
<u>Operating expenses:</u>					
Salaries	\$ 1,155,035	\$ 33,311	\$ 193,919	\$ 227,230	\$ 1,382,265
Payroll taxes	70,040	2,550	14,309	16,859	86,899
Employee benefits	113,764	11,702	20,012	31,714	145,478
Professional fees	161,638	93,155	161,030	254,185	415,823
Vehicles expense	47,463	-	-	-	47,463
Repairs and maintenance	14,392	13,802	-	13,802	28,194
Books and supplies	182,166	15,677	-	15,677	197,843
Telephone	28,788	3,794	-	3,794	32,582
Postage	8,192	2,189	-	2,189	10,381
Freight	10,592	-	-	-	10,592
Occupancy cost	63,448	36,470	-	36,470	99,918
Seminars and training	11,447	286	-	286	11,733
Travel expense	60,098	2,494	2,089	4,583	64,681
Philanthropic support to countrie	387,130	-	-	-	387,130
Depreciation	-	14,114	-	14,114	14,114
In-Kind donations	31,819		1,050	1,050	32,869
Other expenses	201,072	3,104	17,513	20,617	221,689
Total functional expenses	<u>\$ 2,547,084</u>	<u>\$ 232,648</u>	<u>\$ 409,922</u>	<u>\$ 642,570</u>	<u>\$ 3,189,654</u>

The accompanying notes are an integral part of this statement

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

December 31, 2020

**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 2020, Alfalit served 16,399 adult students, including 67% women (literacy, basic education, ACE, scholarships and microcredit), 2,712 preschool children and 618 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-entity balances and transactions have been eliminated from the consolidated financial statements.

**Financial Statement Presentation**

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Under these principles, 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.

*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.



Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2020

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

**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. At December 31, 2020, the Organization maintained cash deposits with national banks in excess of the limits insured by the Federal Deposit Insurance Corporation. The Organization does not believe it is exposed to any significant credit risk associated with its bank accounts.

**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..

**Revenue and Revenue Recognition**

**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, 2020

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

Rental income received from tenants is recognized as revenue in the month earned.

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, 2020, general and administrative expenses represented 7.3% 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, 2020.

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, 2020.

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, 2020 and the reported amounts of revenue and expenses during the year then ended. Actual results could differ from those estimates.

Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2020

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

Donor restricted net assets consist for the following purposes as of December 31, 2020:

Not subject to appropriation or expenditure:

Original donor-restricted gift amounts required to be held indefinitely	<u>\$32,954</u>
Total net assets with donor restrictions	<u>\$32,954</u>

Releases from donor restricted net assets for 2020 were:

Subject to expenditure for specified purpose	<u>\$100</u>
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**Note 4 - Accounts Receivable**

At December 31, 2020, 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, 2020:

Building	\$ 152,677
Building improvements	147,711
Furniture and equipment	9,367
Software	<u>4,270</u>
	314,025
Accumulated depreciation	<u>223,514</u>
	<u>\$ 90,511</u>

The Organization recorded depreciation of \$14,114 for the year ended December 31, 2020.

**Note 6 – Related Party Transactions**

The total contributions of \$2,922,237 recorded for 2020 include \$1,883,465 contributed by Board members.

**Note 7 – Revenue and Other Support**

For the year ended December 31, 2020, the Organization had total gross support and revenue of \$3,280,488 of which \$1,883,465 was received from board members. The support received from board members represented approximately 58% of its total support for the year.

**Note 8 – Government Grants**

In May 2020, the Organization received a \$58,981 loan from the U.S. Small Business Administration under the Paycheck Protection Program (PPP). The loan was forgiven under the PPP provisions. The Organization also received a \$6,000 advance under the Economic Injury Disaster Loan program that did not have to be repaid.

Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2020

**Note 9 - 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.

Due to the COVID pandemic, the Organization canceled the 2020 annual gala, its major annual event. The revenues from other special events are as follows:

<u>Revenues from other events:</u>		
Sponsorship contributions		\$ 31,500
Special event revenue	\$ 217,785	
Less: Cost of direct benefit to donors	<u>(38,658)</u>	
Subtotal		<u>179,192</u>
Net revenues		<u>\$ 210,692</u>

**Note 10 – SBA Loan Payable**

Loan payable to the Small Business Administration, bearing interest at 3.75% and payable in 360 monthly installments of principal and interest of \$731, beginning in May 2022. The loan matures in May 2050 and is collateralized by substantially all of the Organization's tangible and intangible assets.

Principal payments and accrued interest due at December 31, 2020	\$ 153,312
Less current maturities	<u>-</u>
	<u>\$ 153,312</u>

Principal payments on the loan payable are due as follows:

For the years ending December 31,	
2021	\$ -
2022	960
2023	1,695
2024	1,759
2025	1,826
Thereafter	<u>147,072</u>
	<u>\$ 153,312</u>

**Note 11 – Liquidity and Availability**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual requirements. At December 31, 2020, the following assets could be readily available within one year to meet general expenditures:

Cash	\$ 1,193,498
Unconditional promises to give	85,000
Accounts receivable, net	10,700
Employee advances	<u>13,646</u>
	<u>\$ 1,302,844</u>

Alfalit International, Inc. and Affiliate  
**Notes to Consolidated Financial Statements**  
December 31, 2020

**12. Newly Adopted Accounting Standards**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* which replaced most existing revenue recognition guidance in accounting standards generally accepted in the United States of America. The standard requires the recognition of revenue in a manner that reflects the consideration to which an entity expects to be entitled in exchange for goods or services.

The Organization adopted the requirements of the new guidance effective January 1, 2020, the first day of its fiscal year, using the modified retrospective approach. The adoption of this standard did not materially change the timing or amount of revenue recognized by the Organization. Accordingly, an adjustment to beginning net assets was not necessary.

**13. Contingencies**

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic which continues to spread throughout the United States of America and adversely impacts global and local commercial activity. 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 current events.

**14. Subsequent Events**

In September 2021, the U.S. Agency for International Development (USAID) offered to award a cooperative agreement to the Organization to conduct a Basic Education and Work Preparedness program in Haiti. The estimated cost of the program is \$810,163; \$510,163 to be funded by USAID and the remaining \$300,000 to be funded by the Organization. The goal of the program is to advance the well-being, employability, economic growth, and civic engagement of approximately 7,000 Haitian youth and adults who live in marginalized and socially depressed areas. Of these, 80% will be women and girls. The program will be conducted by Societe Biblique Haitienne, the Organization's affiliate in Haiti.

The Organization also participates as a partner of Education Development Center, Inc. in a five-year educational program in the Democratic Republic of the Congo (DRC) funded by USAID. The goal of the \$6.8 million program is to improve reading and literacy and social and emotional learning outcomes to ensure that children ages 6 to 9 in select marginalized and underserved zones of eastern DRC provinces.

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 27, 2021, the date the financial statements were available to be issued.