



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

Alfalit International, Inc. and Affiliate

December 31, 2021

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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 Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Alfalit International, Inc. and Affiliate, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alfalit International, Inc. and Affiliate as of December 31, 2021, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Alfalit International, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Alfalit International, Inc. and Affiliate'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 Alfalit International, Inc. and Affiliate'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.

Miami, Florida
September 22, 2022

/ Jean-Luc Cuenca, P.A.

Alfalit International, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2021

Assets	
Cash	\$ 1,664,755
Certificate of deposit	55,068
Unconditional promises to give	22,500
Accounts receivable	49,580
Employee advances	12,596
Program materials	<u>255,283</u>
Total current assets	2,059,782
Property and equipment, net	<u>76,397</u>
Total assets	<u><u>\$ 2,136,179</u></u>
Liabilities and Net Assets	
Accounts payable	\$ 49,118
SBA loan payable - current maturities	<u>3,552</u>
Total current liabilities	52,670
SBA loan payable	148,598
Net assets	
Without donor restrictions	1,901,957
With donor restrictions	<u>32,954</u>
Total net assets	<u>1,934,911</u>
Total liabilities and net assets	<u><u>\$ 2,136,179</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 2,682,407	\$ -	\$ 2,682,407
Government grants	61,044		61,044
Contract revenue	49,180		49,180
Special fundraising events revenue	\$ 133,621		
Less: Cost of direct benefits to donors	<u>25,644</u>		
Net revenue from special events	107,977	-	107,977
In-kind contributions	55,083	-	55,083
Rental income	3,600	-	3,600
Interest and other revenue	<u>13,669</u>	<u>-</u>	<u>13,669</u>
Total support and revenue	2,972,960	-	2,972,960
Expenses:			
Program services	1,985,625	-	1,985,625
General and administrative	194,668	-	194,668
Fundraising	<u>207,035</u>	<u>-</u>	<u>207,035</u>
Total expenses	2,387,328	-	2,387,328
Change in net assets	585,632	-	585,632
Net assets at January 1, 2021	<u>1,316,325</u>	<u>32,954</u>	<u>1,349,279</u>
Net assets at December 31, 2021	<u>\$ 1,901,957</u>	<u>\$ 32,954</u>	<u>\$ 1,934,911</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, 2021

Increase (Decrease) in Cash:

Cash from Operating Activities

Change in net assets	\$ 585,632
Adjustments to reconcile net change in net assets to net cash provided by operating activities:	
Depreciation expense	14,114
Changes in assets and liabilities:	
(Increases) Decreases:	
Accounts receivable	(38,880)
Unconditional promises to give	62,500
Employees advances	1,050
Prepaid expenses	118,676
Program materials and supplies	(240,436)
Increases (Decreases):	
Accounts payable	<u>24,831</u>
Net cash provided by operating activities	527,487

Cash from Financing Activities

Certificate of deposit	(55,068)
SBA loan repayments	<u>(1,162)</u>
Net cash used in financing activities	(56,230)

Net Increase in Cash	471,257
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Cash at January 1, 2021	1,193,498
Cash at December 31, 2021	<u><u>\$ 1,664,755</u></u>

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, 2021

	Program Services	Supporting Services			Total
	Total Program Services	General and administrative	Fundraising	Total Supporting Services	
<u>Operating expenses:</u>					
Salaries	\$ 1,003,960	\$ -	\$ 138,447	\$ 138,447	\$ 1,142,407
Payroll taxes	74,996	-	10,348	10,348	85,344
Employee benefits	83,327	-	17,038	17,038	100,365
Professional fees	83,444	39,357	24,621	63,978	147,422
Vehicles	40,877	-	-	-	40,877
Repairs and maintenance	5,729	19,184	-	19,184	24,913
Books and supplies	198,389	23,193	-	23,193	221,582
Telephone	16,437	3,218	-	3,218	19,655
Postage	3,553	1,542	-	1,542	5,095
Freight	25,020	-	-	-	25,020
Occupancy cost	17,992	52,260	-	52,260	70,252
Seminars and training	11,203	5,145	-	5,145	16,348
Travel	44,203	-	2,324	2,324	46,527
Depreciation	-	14,114	-	14,114	14,114
In-kind donations	55,083	-	-	-	55,083
Other	321,412	36,655	14,257	50,912	372,324
Total functional expenses	\$ 1,985,625	\$ 194,668	\$ 207,035	\$ 401,703	\$ 2,387,328

The accompanying notes are an integral part of this statement
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Alfalit International, Inc. and Affiliate
Notes to Consolidated Financial Statements

December 31, 2021

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 2021, Alfalit served 19,512 adult students, including 66% women (literacy, basic education, ACE, and microcredit), 1,430 preschool children and 690 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 1,065 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 Alfalit 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 Alfalit. Its board of directors 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 Alfalit or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Alfalit International, Inc. and Affiliate
Notes to Consolidated Financial Statements
December 31, 2021

Note 2 – Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, Alfalit 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 Alfalit to concentrations of credit risk consists principally of bank deposits in excess of federally insured limits. At December 31, 2021, Alfalit maintained cash deposits with national banks in excess of the limits insured by the Federal Deposit Insurance Corporation. Alfalit 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 Alfalit 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. Alfalit 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, 2021

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. Alfalit only records 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 Alfalit 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, 2021, general and administrative expenses represented 6.5% of total support and revenues.

Income Taxes

Alfalit International, Inc. is a nonprofit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. Accordingly, a provision for income taxes is not required as of December 31, 2021.

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, 2021.

Alfalit 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, 2021 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, 2021

Note 3 - Net Assets - With Donor Restrictions

Donor restricted net assets consist for the following purposes as of December 31, 2021:

Not subject to appropriation or expenditure:

Original donor-restricted gift amounts required to be held indefinitely	<u>\$32,954</u>
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Total net assets with donor restrictions	<u>\$32,954</u>
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Releases from donor restricted net assets for 2021 were:

Subject to expenditure for specified purpose	<u>\$0</u>
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Note 4 - Accounts Receivable

At December 31, 2021, accounts receivable consisted of contracts receivable. Alfalit considers accounts receivable to be fully collectible; accordingly, an allowance for doubtful accounts is not required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Note 5 - Property and Equipment

Property and equipment consisted of the following, at December 31, 2021:

Building	\$ 152,677
Building improvements	147,711
Furniture and equipment	9,367
Software	<u>4,270</u>
	314,025
Accumulated depreciation	<u>237,628</u>
	<u>\$ 76,397</u>

Alfalit recorded depreciation of \$14,114 for the year ended December 31, 2021.

Note 6 – Related Party Transactions

The total contributions of \$2,682,407 recorded for 2021 include \$1,893,646 contributed by Board members.

Note 7 – Revenue and Other Support

For the year ended December 31, 2021, Alfalit had total gross support and revenue of \$2,972,961 of which \$1,893,646 was received from board members. The support received from board members represented approximately 64% of its total support for the year.

Note 8 – Government Grants

In May 2021, Alfalit received a \$61,044 loan from the U.S. Small Business Administration under the Paycheck Protection Program (PPP). In August 2021, the loan was forgiven under the PPP provisions.

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

December 31, 2021

Note 9 - Special Events

Special events generate revenue for Alfalit as well as raise awareness about its mission. Some events are annual and some are incidental to Alfalit'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, Alfalit canceled the 2021 annual gala, its major annual event. The revenues from other special events were:

<u>Revenues from other events:</u>		
Sponsorship contributions		\$ 40,500
Special event revenue	\$ 93,121	
Less: Cost of direct benefit to donors	<u>(25,644)</u>	
Subtotal		<u>67,477</u>
Net revenues		<u>\$ 107,977</u>

Note 10 – SBA Loan Payable

Loan payable to the Small Business Administration, bearing interest at 2.75% and payable in 360 monthly installments of principal and interest of \$641. The loan matures in May 2050 and is collateralized by substantially all of the Alfalit's tangible and intangible assets.

Principal payments and accrued interest due at December 31, 2021	\$ 152,150
Less current maturities	<u>3,552</u>
	<u>\$ 148,598</u>

Principal payments on the loan payable are due as follows:

For the years ending December 31,	
2022	\$ 3,552
2023	3,651
2024	3,753
2025	3,858
2026	3,965
Thereafter	<u>133,371</u>
	<u>\$ 152,150</u>

Note 11 – Liquidity and Availability

Alfalit regularly monitors liquidity required to meet its operating needs and other contractual requirements. At December 31, 2021, the following assets could be readily available within one year to meet general expenditures:

Cash	\$ 1,664,755
Certificate of deposit	55,068
Unconditional promises to give	22,500
Accounts receivable	49,580
Employee advances	<u>12,596</u>
	<u>\$ 1,804,499</u>

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

December 31, 2021

12. Contingencies

In March 2021, 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 Alfalit's financial statements. No adjustments have been made to the accompanying financial statements as a result of current events.

13. Subsequent Events

In preparing the financial statements, Alfalit has evaluated events and transactions for potential recognition or disclosure through September 22, 2022, the date the financial statements were available to be issued.