



**AUDITED
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

PREDISAN-USA, INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Predisan-USA, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Predisan-USA, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 controls 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 audits. We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the financial position of Predisan-USA, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones and Kolb

May 13, 2020

PREDISAN-USA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 608,154	\$ 351,670
Marketable securities	416,944	355,885
Cash surrender value of life insurance	10,160	7,099
	<hr/>	<hr/>
Total assets	<u>\$ 1,035,258</u>	<u>\$ 714,654</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 6,642	\$ -
Payroll liabilities	2,910	4,449
	<hr/>	<hr/>
Total liabilities	<u>9,552</u>	<u>4,449</u>
NET ASSETS		
Without donor restrictions	469,406	214,275
With donor restrictions	556,300	495,930
	<hr/>	<hr/>
Total net assets	<u>1,025,706</u>	<u>710,205</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,035,258</u>	<u>\$ 714,654</u>

The accompanying notes to financial statements
are an integral part of these statements.

PREDISAN-USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 943,561	\$ 154,795	\$ 1,098,356
Contributed goods and services	33,414	-	33,414
Special events	54,058	-	54,058
Less: Direct expenses	-	-	-
Investment income	26	9,677	9,703
Unrealized gain on investments	-	66,670	66,670
	<u>1,031,059</u>	<u>231,142</u>	<u>1,262,201</u>
Net assets released from restricted net assets	<u>170,772</u>	<u>(170,772)</u>	<u>-</u>
EXPENSES			
Program services	802,257	-	802,257
Fundraising	49,712	-	49,712
Management and general	94,731	-	94,731
	<u>946,700</u>	<u>-</u>	<u>946,700</u>
CHANGE IN NET ASSETS	255,131	60,370	315,501
NET ASSETS, Beginning of year	<u>214,275</u>	<u>495,930</u>	<u>710,205</u>
NET ASSETS, End of year	<u>\$ 469,406</u>	<u>\$ 556,300</u>	<u>\$ 1,025,706</u>

The accompanying notes to financial statements
are an integral part of this statement.

PREDISAN-USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 837,461	\$ 88,071	\$ 925,532
Contributed goods and services	24,953	-	24,953
Special events	26,025	-	26,025
Less: Direct expenses	(8,484)	-	(8,484)
Investment income	24	8,683	8,707
Unrealized gain on investments	-	(15,819)	(15,819)
	<hr/>	<hr/>	<hr/>
Total support and revenue	879,979	80,935	960,914
	<hr/>	<hr/>	<hr/>
Net assets released from restricted net assets	37,314	(37,314)	-
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program services	754,916	-	754,916
Fundraising	71,853	-	71,853
Management and general	106,925	-	106,925
	<hr/>	<hr/>	<hr/>
Total expenses	933,694	-	933,694
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(16,401)	43,621	27,220
	<hr/>	<hr/>	<hr/>
NET ASSETS, Beginning of year	230,676	452,309	682,985
	<hr/>	<hr/>	<hr/>
NET ASSETS, End of year	\$ 214,275	\$ 495,930	\$ 710,205
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes to financial statements
are an integral part of this statement.

PREDISAN-USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Fundraising</u>	<u>Management & General</u>	<u>Total</u>
Grants	\$ 783,890	\$ -	\$ -	\$ 783,890
Compensation and benefits	7,541	11,310	18,852	37,703
Occupancy	4,080	6,120	10,200	20,400
Office expenses	2,942	4,413	7,355	14,710
Professional fees	-	7,950	30,923	38,873
Payroll taxes	535	802	1,338	2,675
Advertising and promotion	-	-	16,267	16,267
Insurance	1,260	1,261	1,260	3,781
Bank charges and credit card fees	-	6,776	-	6,776
Travel	2,009	3,014	5,023	10,046
Information technology	-	5,757	-	5,757
Other	-	2,309	3,513	5,822
	<u>\$ 802,257</u>	<u>\$ 49,712</u>	<u>\$ 94,731</u>	<u>\$ 946,700</u>
Total	<u>\$ 802,257</u>	<u>\$ 49,712</u>	<u>\$ 94,731</u>	<u>\$ 946,700</u>

The accompanying notes to financial statements
are an integral part of this statement.

PREDISAN-USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Fundraising</u>	<u>Management & General</u>	<u>Total</u>
Grants	\$ 716,631	\$ -	\$ -	\$ 716,631
Compensation and benefits	25,240	37,861	63,101	126,202
Occupancy	4,080	6,120	10,200	20,400
Office expenses	2,805	4,207	7,012	14,024
Professional fees	-	-	9,545	9,545
Payroll taxes	1,826	2,740	4,566	9,132
Advertising and promotion	-	9,094	-	9,094
Insurance	2,672	2,672	2,672	8,016
Bank charges and credit card fees		5,727	-	5,727
Travel	1,144	1,716	2,859	5,719
Information technology	-	-	5,382	5,382
Other	391	1,319	1,319	3,029
Depreciation	127	397	269	793
Total	<u>\$ 754,916</u>	<u>\$ 71,853</u>	<u>\$ 106,925</u>	<u>\$ 933,694</u>

The accompanying notes to financial statements
are an integral part of this statement.

PREDISAN-USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 315,501	\$ 27,220
 ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	-	793
Net realized and unrealized (gain) and loss on marketable securities	(66,670)	15,819
Changes in:		
Cash surrender value of life insurance	(3,061)	-
Accounts payable	6,642	(10,549)
Payroll liabilities	(1,539)	1,677
Total adjustments	(64,628)	7,740
 Net cash and cash equivalents provided by operating activities	250,873	34,960
 CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions of marketable securities	(15,000)	6,300
Purchases of marketable securities	20,611	(8,263)
 Net cash and cash equivalents provided by (used in) investing activities	5,611	(1,963)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	256,484	32,997
 CASH AND CASH EQUIVALENTS, Beginning of year	351,670	318,673
 CASH AND CASH EQUIVALENTS, End of year	\$ 608,154	\$ 351,670

The accompanying notes to financial statements
are an integral part of these statements.

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The purpose of Predisan-USA, Inc. (the "Organization") is to collaborate with and support non-profit Christian organizations located throughout Central America that provide/promote healthcare, community development, and spiritual formation activities. Currently, the Organization has chosen to partner with a non-profit corporation registered in Honduras as Asociacion Hondurena Predicar y Sanar ("Mission Predisan"). Mission Predisan's mission is to provide a holistic approach to healing lives and proclaiming Christ to the people of Honduras. The Organization is governed by a volunteer board of directors. The Organization primarily receives contributions from individuals, churches and foundation, primarily located throughout the United States of America.

B. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

C. In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958). This ASU improves the prior net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. The Organization has adopted this ASU for the year ended December 31, 2018.

FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgments and estimates and provide expanded disclosures about revenue. The Organization adopted ASU 2014-09 for the year ending December 31, 2019. The Organization has evaluated the impact of the adoption of the new standard on the financial statements and believes there is no significant impact, nor any change required to the Organization's current revenue recognition policies.

D. The Organization classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The Organization records contributions of cash and other assets as net assets without donor restrictions unless specifically restricted by the donor. All other restricted contributions are recorded as an increase in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as "net assets released from restrictions." Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operation of the Organization.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets generally permit the Organization to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are contributions for which restrictions have not been met.

E. Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety days of purchase.

F. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. Contributed services recognized are reflected in the financial statements at the fair value of the services received. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in providing support to clinics and healthcare facilities in Honduras. The value of these services did not meet the criteria for recognition in the financial statements and the value has not been estimated. Donated materials and services are reflected as support in the accompanying financial statements at their estimated fair value at date of receipt.

During the years ended December 31, 2019 and 2018, the Organization received a donation for the use of office space and furnishings with an estimated value of \$20,400. The Organization also received goods, primarily supplies to be used in the Honduran clinic, with an estimated value of \$13,014 and \$4,553 for the years ended December 31, 2019 and 2018, respectively.

G. The Organization is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code ("IRC"). Only unrelated business income as defined by Section 512(a)(1) of the Internal Revenue Code is subject to income taxes. There was no unrelated business income for the years ended December 31, 2019 and 2018.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management

PREDISAN-USA, INC.
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believes are more likely than not to occur, including changes to the Organization's status as a tax-exempt entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. However, the Organization is not currently under audit nor has it been contacted by the taxing authorities.

H. The accompanying financial statements report certain categories of expenses that are attributable to one or more functions of the Organization, which are defined as program services, management and general, and fundraising. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The significant expense categories that are allocated include compensation and benefits, occupancy and payroll taxes which are allocated on the basis of estimates of time and effort. The remainder of expenses are primarily allocated through specific identification to the functional expense category due to the purpose or nature of the expense.

I. Subsequent events have been evaluated by management through May 13, 2020, the date these financial statements were issued.

2. CONCENTRATION OF CREDIT RISK

The Organization is subject to some credit risk through short-term cash investments, which are placed with high credit quality financial institutions. At December 31, 2019 and 2018, the Organization's account balances not covered by F.D.I.C. limits were approximately \$272,000 and \$3,000, respectively. The Organization has not experienced any losses in such accounts.

3. CONDITIONAL PROMISES TO GIVE

The Organization has been informed of intentions to give in the form of possible future bequests, currently of indeterminable value. Consistent with GAAP, these intentions have not been reflected in the accompanying financial statements because they are conditional promises.

4. MARKETABLE SECURITIES

U.S. GAAP establish a 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. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the

PREDISAN-USA, INC.
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hierarchy states that valuations are based upon unobservable inputs. At December 31, 2019 and 2018, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are marketable securities, which include stock and bond mutual funds. Stock and bond mutual funds are valued at the closing price reported on the active market on which individual securities are traded.

The following table presents the Organization's marketable securities at fair value at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Stock funds	\$ 252,339	\$ 197,483
Bond funds	<u>164,605</u>	<u>158,402</u>
Total marketable securities	<u>\$ 416,944</u>	<u>\$ 355,885</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent donations made that have been restricted for a particular purpose, primarily for medical clinics or for programs benefiting people in the region of the community of Catacamas, Honduras. Additionally, net assets with donor restrictions include the donor-restricted endowment assets and the related unspent and accumulated earnings (See Note 6). The following table presents the Organization's net assets with donor restrictions at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowment earnings	\$ 221,071	\$ 172,165
Scholarships, economic development and mission trips	66,291	63,957
Capital equipment campaign	39,130	30,000
Administrative support	22,130	22,130
Endowment principal	<u>207,678</u>	<u>207,678</u>
Total	<u>\$ 556,300</u>	<u>\$ 495,930</u>

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
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The following table presents the Organization's net assets released from restricted net assets for the years ended December 31, 2019 and 2018:

	2019	2018
Scholarships, economic development and mission trips	\$ 143,331	\$ 31,014
Appropriation of endowment assets	27,441	6,300
Total	\$ 170,772	\$ 37,314

6. ENDOWMENT

The Organization's endowment consisted of one donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment fund are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. UPMIFA does not apply to beneficial interests in perpetual trusts.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and,
- (7) The investment policies of the Organization.

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
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The Organization has adopted investment and spending policies that attempt to preserve endowment assets by using funding only when operating cash is insufficient. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The composition of and changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>With Donor Restrictions</u>	
	<u>Unused</u>	
	<u>Earnings</u>	<u>Principal</u>
Endowment net assets, beginning of year	\$ 172,165	\$ 207,678
Appropriated for expenditure	(27,441)	-
Investment return		
Investment income	9,677	-
Net unrealized gain	66,670	-
	<u>\$ 221,071</u>	<u>\$ 207,678</u>

The composition of and changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>With Donor Restrictions</u>	
	<u>Unused</u>	
	<u>Earnings</u>	<u>Principal</u>
Endowment net assets, beginning of year	\$ 185,601	\$ 207,678
Appropriated for expenditure	(6,300)	-
Investment return		
Investment income	8,683	-
Net unrealized loss	(15,819)	-
	<u>\$ 172,165</u>	<u>\$ 207,678</u>

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
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7. LIQUIDITY

The financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditure are \$468,798 and \$211,625 at December 31, 2019 and 2018, respectively, which is calculated in the following table:

	<u>2019</u>	<u>2018</u>
Total financial assets	\$ 1,035,258	\$ 714,654
Less restrictions:		
Endowment net assets	(428,749)	(379,843)
Other restrictions	(127,551)	(116,087)
Cash surrender value of life insurance	<u>(10,160)</u>	<u>(7,099)</u>
Financial assets available within one year to meet cash needs for general expenditure	<u>\$ 468,798</u>	<u>\$ 211,625</u>

None of the financial assets available within one year to meet cash needs for general expenditure are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. While the unspent and accumulated endowment earnings (see Note 6) and the cash surrender value of life insurance are not included in the amounts expected to be available within one year of the Statement of Financial Position date, the Organization may utilize a portion of these funds in the event of an unanticipated liquidity need.

8. SUBSEQUENT EVENT

Subsequent to December 31, 2019, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and are actively working to minimize the impact of these declines. The accompanying financial statements do not include adjustments to fair value that have resulted from these market declines.

As a result of the pandemic, economic uncertainties have arisen which are likely to negatively impact the Organization's financial position and its change in net assets. Other financial impact could occur though such potential impact is unknown at this time.