PROJECT ARRIBA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

AND INDEPENDENT AUDITORS' REPORT

SBNG

CERTIFIED PUBLIC ACCOUNTANTS

PROJECT ARRIBA

TABLE OF CONTENTS

December 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project ARRIBA

Report on the Financial Statements

We have audited the accompanying financial statements of Project ARRIBA (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 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 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 opinions.

(Continued)

SBNG
Certified Public Accountants
221 N. KANSAS, STE 1300
EL PASO, TX 79901
WWW.SBNGCPA.COM
T 915. 544. 6770
F 915. 544. 0136

To the Board of Directors
Project ARRIBA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project ARRIBA as of December 31, 2018 and 2017, 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.

SBNG, PC

El Paso, Texas
May 1, 2019

PROJECT ARRIBA

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	$384,952	$447,965
Grants and contracts receivable	279,599	186,092
Current portion of pledge receivable, net of discount	27,923	28,428
Prepaid expenses	18,083	18,548
Inventory	1,666	1,666
Total current assets	712,223	682,699
Pledge receivable, net of current portion and discount		27,923
Furniture and equipment, net	13,204	20,194
Deposits	6,429	6,429
Total assets	$ 731,856	$ 737,245

LIABILITIES AND NET ASSETS	2018	2017
Current liabilities:		
Accounts payable	$ 127,064	$ 96,951
Accrued expenses	28,755	35,365
Refundable advances	51,300	70,714
Deferred income		200
Total current liabilities	207,119	203,230
Net assets without donor restrictions:		
Undesignated	415,473	435,239
Board designated	109,264	98,776
Total net assets without donor restrictions	524,737	534,015
Total liabilities and net assets	$ 731,856	$ 737,245

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

PROJECT ARRIBA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2018 and 2017

	2018	**2017**
Net assets without donor restrictions:		
Grants and contracts	$ 1,058,448	$ 816,019
Unrestricted contributions	299,860	357,264
Other	1,587	1,428
Total support and revenue	1,359,895	1,174,711
Functional expenses:		
Program services	1,113,728	1,032,063
Administrative services	200,045	226,727
Fundraising	55,400	54,044
Total functional expenses	1,369,173	1,312,834
Change in net assets without donor restrictions	(9,278)	(138,123)
Net assets without donor restrictions, beginning of year	534,015	672,138
Net assets without donor restrictions, end of year	$ 524,737	$ 534,015

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

PROJECT ARRIBA

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Administrative Services	Fundraising	Total	Program Services	Administrative Services	Fundraising	Total
Participant expenses:								
Tuition expense	$ 278,486	$	$	$ 278,486	$ 260,618	$	$	$ 260,618
Book expense	139,053			139,053	100,144			100,144
School/test materials	117,277			117,277	99,701			99,701
Child care expense	43,606			43,606	44,937			44,937
Tutoring expenses	3,286			3,286	3,098			3,098
Support services	639			639	49			49
Total participant expenses	582,347			582,347	508,547			508,547
Employee salaries	323,661	121,612	34,773	480,046	326,113	140,976	33,385	500,474
Employee benefits and payroll taxes	85,370	29,224	7,385	121,979	82,464	35,530	7,278	125,272
Rent expense	82,509	12,012	3,606	98,127	80,509	12,460	2,875	95,844
Contract labor and professional fees	3,289	17,343	133	20,765		15,349		15,349
Office expense	5,498	10,058	326	15,882	3,279	10,504	63	13,846
Contributions	10,000			10,000	10,000			10,000
Telephone	4,222	4,201	166	8,589	6,009	4,437	193	10,639
Fundraising event			8,185	8,185			9,640	9,640
Equipment lease	6,402	924	288	7,614	6,186	957	221	7,364
Depreciation	5,001	1,697	292	6,990	4,836	1,270	242	6,348
Insurance	4,184	605	187	4,976	4,120	637	147	4,904
Travel		2,191		2,191		4,595		4,595
Repair and maintenance	1,245	178	59	1,482				
Interest expense						12		12
Total operating expenses	531,381	200,045	55,400	786,826	523,516	226,727	54,044	804,287
Total functional expenses	$ 1,113,728	$ 200,045	$ 55,400	$ 1,369,173	$ 1,032,063	$ 226,727	$ 54,044	$ 1,312,834

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

PROJECT ARRIBA

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (9,278)	$ (138,123)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,990	6,348
(Increase) decrease in:		
Grants, contracts and pledge receivable	(65,079)	(84,705)
Prepaid expenses	465	70
Inventory		49
Increase (decrease) in:		
Accounts payable	30,113	87,937
Accrued expenses	(6,610)	(647)
Deferred income	(200)	
Refundable advances	(19,414)	49,195
Net cash used in operating activities	(63,013)	(79,876)
Cash flows from investing activities:		
Purchase of equipment		(4,882)
Net cash used in investing activities		(4,882)
Net decrease in cash and cash equivalents	(63,013)	(84,758)
Cash and cash equivalents, beginning of year	447,965	532,723
Cash and cash equivalents, end of year	$ 384,952	$ 447,965
Supplemental Cash Flows Information:		
Interest paid	$	$ 12

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Project ARRIBA ("the Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

Nature of Activity – Project ARRIBA is an El Paso-based economic development initiative, incorporated in December 1998 as a public not-for-profit organization. The mission of the Organization is to provide long-term, high-skilled training and case management services to economically disadvantaged or multiple barriered individuals who require the occupational skills necessary to access jobs in hard to fill demand occupations. The Organization seeks to provide access to highly skilled jobs, which provide a living wage for adults who would otherwise not have the opportunity.

Basis of Accounting and Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when they are earned and become measurable. Expenses are recognized when the related liability for payment is incurred. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization did not have any net assets with donor restrictions at December 31, 2018 or 2017. Accordingly, net assets without donor restrictions of the Organization and changes therein are classified and reported as follows:

> Net Assets Without Donor Restrictions – Net assets without donor restrictions represent resources that are not subject to donor-imposed stipulations and over which the Board of Directors has discretionary control. Net assets received and expended within the reporting period are reported in the statement of activities as unrestricted support or revenue.
>
> Board Designated Net Assets – Board designated net assets represent resources that are not subject to donor-imposed stipulations but which the Board of Directors has designated for a specific purpose. Designations are voluntary and may be reversed by the governing Board of Directors at any time.

(Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and Contracts Receivable – Grants and contracts receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At December 31, 2018 and 2017, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no allowance has been established.

Inventory – Inventory consists of financial literacy kits used for the Organization's job development workshops known as, "Vision, Initiative, and Perseverance (VIP)," group sessions. Inventory is stated at the lower of cost (utilizing the first-in, first-out method) or market.

Furniture and Equipment – Donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor restrictions, the Organization records these assets as unrestricted net assets at the time of donation. Purchased furniture and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset which range from 3 to 20 years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Fixed assets with a cost or fair value of $1,000 or more are capitalized.

Restricted and Unrestricted Support and Revenue – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as donor restricted support that increases that net asset class. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restriction. If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as net assets without donor restrictions.

(Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Advances – The Organization records unexpended conditional grant awards as refundable advances until they are spent for the purpose of the grant, at which time they are recognized as revenue. Any amount remaining in excess of the final billing is required to be refunded to the granting agency.

Donated Materials, Equipment and Services – Donated materials and equipment are recorded as contributions at their estimated values at the date of receipt. In-kind services, which are defined as donations of services that would have to be purchased in order for the Organization to operate if not donated, are recorded as revenue and expenses in the Statement of Activities at the fair market value of the services received. Volunteer services, which are not considered necessary for operations to continue, are not reflected in the financial statements, as no objective basis is available to measure the value of such services.

Functional Expense Allocation – Functional expenses have been allocated between Program Services, Administrative Services, and Fundraising in the Statement of Activities and Statement of Functional Expenses based upon direct charges and indirect expense allocations. Generally, training and support expenses for program participants are directly charged to a grant or contract while all other expenses are indirectly charged to a grant or contract through a cost allocation plan where expenses are charged based on the number of participants covered by each grant or contract. Direct and indirect expenses are charged in accordance with grant or contract budgets.

Participant Support Services – Participant support services include expenses related to a participant's education such as required immunizations, eye wear, and bus passes. Participant support services also include emergency assistance generally for a one-time event that creates an impediment to a participant's successful completion of their education. This emergency assistance is evaluated on a case by case basis and typically includes expenses related to housing, repairs, and utilities.

Federal Income Taxes – The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of 509(a) of the Code. Accordingly, no liability or provision for federal income taxes is included in the accompanying financial statements. There was no unrelated business income tax for the years ended December 31, 2018 and 2017.

The Organization files a Return of Organization Exempt from Income Tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before December 31, 2015. There are no examinations in progress at December 31, 2018.

(Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk – Financial instruments that are exposed to concentrations of credit risk are cash and grants, contracts and pledges receivable. The Organization maintains cash balances at financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) for up to $250,000. Management assesses the financial condition of this bank and believes that the possibility of any credit loss is minimal. The Organization maintains cash balances in money market funds. These funds are not insured by the FDIC, nor are they a deposit or other obligation of, or guaranteed by a bank or other depository institution.

Grants and contracts receivable are principally with federal, state or local governmental entities and are carried at estimated net realizable values. Realization of these amounts is dependent on the allowability of the costs claimed for reimbursement.

Promises to give are discounted to present value if collection is expected to be more than one year. Management periodically assesses collectability of promises to give and the amount of reserve, if any, is based on the credit-worthiness of the donor, current economic conditions and the length of the agreement.

Analysis for Impairment – Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such assets at December 31, 2018 or 2017.

(Continued)

ADOPTION OF NEW ACCOUNTING STANDARD

Presentation of Financial Statements for Not-For-Profit Entities – ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* was issued in August 2016. The new guidance requires two classes of net assets in the statement of financial position (net assets with donor restrictions and net assets without donor restrictions) rather than the three classes of net assets (unrestricted, temporarily restricted and permanently restricted). The new guidance also requires reporting investment return to be presented net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses. In addition, the new guidance requires additional disclosures regarding qualitative information that communicates how the Organization manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date and quantitative information that communicates the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date. The Organization adopted ASU 2016-14 on January 1, 2018, and has retrospectively applied the guidance issued by this standard to the fiscal year ended December 31, 2017.

As a result, opening balances for the fiscal year ended December 31, 2017 have been restated as follows:

	As Previously Stated	Reclassifications	As Restated
Unrestricted net assets	$ 672,138	$(672,138)	$
Net assets without donor restriction		672,138	672,138
	$ 672,138	$	$ 672,138

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flow do not have a specific pattern of inflow due to a majority of their funding being based on unique payment schedules by each major grant program. Reimbursement from major funding sources can vary based on if they are received on a reimbursement basis, are refundable advances, or are given at the end of each academic semester. Funding for reimbursement is typically received within a month or less after all Organizational costs are paid from the general operating account. In addition, the Organization holds money market accounts which internally are not treated as operating accounts or cash on hand. Cash from the money market accounts will only be drawn on in the case that the operating account cannot sufficiently cover the organizational costs, which is rare for the Organization. Board designated funds are held in a money market account in which funding and draws may be approved at the discretion of the Board of Directors. To manage liquidity, the Organization maintains a line of credit in the amount of $200,000 with a financial institution. Management has not drawn on, and does not intend to draw on the line of credit in the near future.

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018.

Current financial assets:	
Cash and cash equivalents	$ 384,952
Grants and contracts receivable	279,599
Current porition of pledge receivable, net of discount	27,923
Current financial assets	692,474
Less:	
Board designated quasi-endowments	(109,264)
Financial assets available to meet cash needs for general expenses within one year	$ 583,210

(Continued)

GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable arise from amounts due to the Organization from granting agencies for allowable expenditures not reimbursed at year-end. Grants and contracts receivable consisted of the following at December 31, 2018 and 2017.

	2018	2017
Austin Community College District	$150,779	$ 75,213
City of El Paso - Impact Fund	70,325	77,820
TWC - Wagner Peyser	31,186	6,823
County of El Paso	26,066	25,258
General Fund	1,243	978
	$279,599	$186,092

PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31, 2018 and 2017:

	2018	2017
Prepaid expenses	$14,665	$15,111
Insurance premiums	3,418	3,437
	$18,083	$18,548

INVENTORY

Inventory consisted of financial literacy kits that are used for the Vision, Initiative, and Perseverance group session. As of December 31, 2018 and 2017, inventory amounted to $1,666.

PLEDGE RECEIVABLE

On January 19, 2015, the Hunt Family Foundation provided the Organization with a written promise to give totaling $150,000 to be equally distributed on or about January 15, of every year beginning in 2015 through 2019. The pledge was discounted to its present value, at an average discount rate of 1.81%, compounded annually. The discounted pledge is scheduled to be collected as follows:

Year Ending December 31,	
2019	$30,000
Less discount	2,077
Total pledge receivable, net of discount	$27,923

There was no bad debt expense associated with the pledge for the years ended December 31, 2018 or 2017. At December 31, 2018, the total pledge receivable amounted to $30,000, net of a discount in the amount of $2,077. The current portion, net of discount was $27,923, resulting in the final payment of the written promise to be received in 2019.

FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net, consisted of the following at December 31, 2018 and 2017:

Description	2018	2017
Furniture and equipment	$32,710	$32,710
Website	5,500	5,500
Software	3,924	3,924
Computers	25,406	25,406
	67,540	67,540
Less accumulated depreciation	54,336	47,346
Furniture and equipment, net	$13,204	$20,194

Depreciation expense for the years ended December 31, 2018 and 2017 was $6,990 and $6,348, respectively.

(Continued)

MAJOR REVENUE AND SUPPORT

Major revenue and support was as follows at December 31, 2018 and 2017:

	2018	2017
City of El Paso	17%	32%
Austin Community College District	24%	21%
Wagner Peyser	26%	1%
	67%	54%

EMPLOYEE BENEFITS

The Organization sponsors a 403(b) defined contribution plan ("the Plan") for its employees. To participate in the Plan, an employee must be full-time, at least 21 years of age, and have completed two months of employment with the Organization. The Organization makes a matching contribution up to 100% of the first 5% of the amount deferred by employees. Contributions were made in the amount of $7,098 and $7,799 in 2018 and 2017, respectively.

REFUNDABLE ADVANCES

Refundable advances made to the Organization as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
JP Morgan Chase & Co.	$51,300	$31,309
Wells Fargo - NeighborhoodLIFT		39,405
Total	$51,300	$70,714

COMMITMENTS AND CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization receives a substantial amount of its support from government grants. Therefore, the Organization’s ability to continue as a going-concern is dependent on the level of support received from the granting agencies.

The Organization has entered into a contract with the City of El Paso, expiring in August of 2023 to receive $300,000 per year covering expenses incurred in connection with the 2018-2022 Fall Semesters, and the 2019-2023 Spring and Summer semesters. The City will reimburse the Organization on a monthly basis. The expenses to be reimbursed under the agreement include case management, school supplies and tuition assistance.

The Organization entered into a new lease with a five-year term commencing May 1, 2016 through April 30, 2018 requiring monthly payments of $7,987 and increasing to $8,272 beginning May 1, 2018 through April 30, 2021.

The Organization leases office equipment under an operating lease expiring on October 27, 2019 for a total annual lease payment of $5,400.

Minimum lease payments for the office building and equipment are as follows:

Year Ending December 31,	
2019	$105,517
2020	99,267
2021	33,089
Total	$237,873

Total lease expense including additional month-to-month leases, was $105,741 and $103,208 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

LINE-OF-CREDIT

The Organization has a $200,000 line-of-credit, of which $200,000 was unused at December 31, 2018 and 2017. The line-of-credit matures on July 15, 2019 with a variable interest rate based on changes in an index which is the floating rate equal to the prime rate set by the lender. The line-of-credit is secured by deposit accounts held with the lender.

BOARD DESIGNATED NET ASSETS

In September 2016, Project ARRIBA's Board of Directors passed a resolution to establish the Jim R. Phillips Endowment Fund, a board designated fund. The fund shall be perpetual and income from the fund will be used toward tuition assistance for participants pursuing a Bachelor of Science in Nursing. The Fund is maintained in an interest bearing money market account. The total designated fund balance at December 31, 2018 and 2017 was $109,264 and $98,776, respectively.

SUBSEQUENT EVENTS

In December 2018, Project ARRIBA entered into a contract with Workforce Solutions Borderplex Inc., for the period December 20, 2018 through December 19, 2019, in the amount of $200,000. Payment will be received in equal quarterly installments during the term of the contract. The contract is not under a reimbursement basis, and has been treated as a refundable advance upon the first receipt of payment. In January 2019, the Organization received the first installment payment in the amount of $50,000.

In January 2019, the Organization received the third payment of a $600,000 commitment in the amount of $50,000 from University Medical Center. The payments received from this contract are dependent on various performance measures and deliverables as determined by UMC resulting from periodic program evaluations or financial audits.

In February 2019, the Organization received the fifth and final payment of a commitment in the amount of $30,000 from the Hunt Family Foundation. The original commitment was a $150,000 grant to be used for the Promoting Higher Education Along the Border project that is administered by the Organization.

In March 2019, the Organization entered into a grant agreement with the Trellis Foundation in the amount of $100,000 to support the Organization's general operations.

The date to which events occurring after December 31, 2018 have been evaluated for possible adjustment to the financial statements or disclosure is May 1, 2019, which is the date on which the financial statements were available to be issued.