PROJECT ARRIBA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

AND INDEPENDENT AUDITORS' REPORT

SBNG

CERTIFIED PUBLIC ACCOUNTANTS

PROJECT ARRIBA

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December 31, 2019 and 2018

SBNG
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Executive Director
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, 2019 and 2018, 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)

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To the Board of Directors and Executive Director
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, 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.

SBNG, PC

El Paso, Texas
May 6, 2020

PROJECT ARRIBA

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS	**2019**	**2018**
Current assets:		
Cash and cash equivalents	$560,482	$384,952
Grants and contracts receivable	263,860	279,599
Current portion of pledge receivable, net of discount		27,923
Prepaid expenses	18,229	18,083
Inventory		1,666
Total current assets	842,571	712,223
Furniture and equipment, net	6,534	13,204
Deposits	6,429	6,429
Total assets	$ 855,534	$ 731,856

LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 113,964	$ 127,064
Accrued expenses	30,909	28,755
Refundable advances	46,542	51,300
Total current liabilities	191,415	207,119
Net assets without donor restrictions:		
Undesignated	545,308	415,473
Board designated	118,811	109,264
Total net assets without donor restrictions	664,119	524,737
Total liabilities and net assets	$ 855,534	$ 731,856

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, 2019 and 2018

	2019	2018
Support and revenues:		
Grants and contracts	$ 1,241,060	$ 1,058,448
Unrestricted contributions	416,079	299,860
Other	1,379	1,587
Total support and revenue	1,658,518	1,359,895
Functional expenses:		
Program services	1,283,501	1,113,728
Administrative services	178,015	200,045
Fundraising	57,620	55,400
Total functional expenses	1,519,136	1,369,173
Change in net assets without donor restrictions	139,382	(9,278)
Net assets without donor restrictions, beginning of year	524,737	534,015
Net assets without donor restrictions, end of year	$ 664,119	$ 524,737

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

PROJECT ARRIBA

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Administrative Services	Fundraising	Total	Program Services	Administrative Services	Fundraising	Total
Participant expenses:								
Tuition expense	$ 365,096	$	$	$ 365,096	$ 278,486	$	$	$ 278,486
Book expense	177,120			177,120	139,053			139,053
School/test materials	134,564			134,564	117,277			117,277
Child care expense	48,031			48,031	43,606			43,606
Tutoring expenses	2,183			2,183	3,286			3,286
Support services	815			815	639			639
Total participant expenses	727,809			727,809	582,347			582,347
Employee salaries	328,034	101,733	34,505	464,272	323,661	121,612	34,773	480,046
Employee benefits and payroll taxes	86,888	25,873	7,592	120,353	85,370	29,224	7,385	121,979
Rent expense	83,385	11,912	3,971	99,268	82,509	12,012	3,606	98,127
Contract labor and professional fees	7,379	17,982	222	25,583	3,289	17,343	133	20,765
Office expense	8,931	10,196	658	19,785	5,498	10,058	326	15,882
Small furniture and equipment	11,197			11,197	1,245	178	59	1,482
Contributions	10,000			10,000	10,000			10,000
Fundraising event			9,674	9,674			8,185	8,185
Telephone	4,627	4,497	189	9,313	4,222	4,201	166	8,589
Equipment lease	6,367	910	303	7,580	6,402	924	288	7,614
Depreciation	4,720	1,652	298	6,670	5,001	1,697	292	6,990
Insurance	4,164	595	198	4,957	4,184	605	187	4,976
Provision for obsolete inventory		1,666		1,666				
Travel		999	10	1,009		2,191		2,191
Total operating expenses	555,692	178,015	57,620	791,327	531,381	200,045	55,400	786,826
Total functional expenses	$ 1,283,501	$ 178,015	$ 57,620	$ 1,519,136	$ 1,113,728	$ 200,045	$ 55,400	$ 1,369,173

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

PROJECT ARRIBA

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 139,382	$ (9,278)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,670	6,990
Provision for obsolete inventory	1,666	
(Increase) decrease in:		
Grants, contracts and pledge receivable	43,662	(65,079)
Prepaid expenses	(146)	465
Increase (decrease) in:		
Accounts payable	(13,100)	30,113
Accrued expenses	2,154	(6,610)
Deferred income		(200)
Refundable advances	(4,758)	(19,414)
Net cash provided by (used in) operating activities	175,530	(63,013)
Net increase (decrease) in cash and cash equivalents	175,530	(63,013)
Cash and cash equivalents, beginning of year	384,952	447,965
Cash and cash equivalents, end of year	$ 560,482	$ 384,952

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

PROJECT ARRIBA

NOTES TO 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, 2019 or 2018. 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.

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 Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no allowance has been established.

Inventory – Inventory consisted 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, Net – 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 $2,000 or more are capitalized.

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, 2019 or 2018.

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 Statements 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.

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.

(Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Statements 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 Statements of Activities and Statements 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, 2019 and 2018.

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, 2016. There are no examinations in progress at December 31, 2019.

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RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which requires an entity to 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 those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date*, which amends ASU 2014-09 to defer the effective date by one year. The new standard is effective for annual and interim periods in fiscal years beginning after December 15, 2018. In June 2018 the FASB then issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* in which grants and contracts that are nonreciprocal and conditional transactions do not fall under the scope of ASC 606. The Organization's grants and contributions are categorized as nonreciprocal and conditional, therefore revenue generated by the Organization does not fall under the scope of ASC 606.

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 also 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.

(Continued)

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 when 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, 2019.

Current financial assets:	
Cash and cash equivalents	$560,482
Grants and contracts receivable	263,860
Current financial assets	824,342
Less:	
Board designated quasi-endowments	(118,811)
Financial assets available to meet cash needs for general expenses within one year	$ 705,531

(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, 2019 and 2018.

	2019	2018
Austin Community College District	$	$150,779
City of El Paso - Impact Fund	138,764	70,325
TWC - Wagner Peyser	40,214	31,186
County of El Paso	34,382	26,066
General Fund	50,500	1,243
	$263,860	$279,599

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. As of December 31, 2018, the pledge receivable was $27,923, which included a discount of $2,077. As of December 31, 2019, the Organization had received its final payment of the written promise, and no longer had a remaining receivable balance. There was no bad debt expense associated with the pledge for the years ended December 31, 2019 and 2018.

PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31, 2019 and 2018:

	2019	2018
Prepaid expenses	$14,783	$14,665
Insurance premiums	3,446	3,418
	$18,229	$18,083

(Continued)

INVENTORY

Inventory consisted of financial literacy kits that are used for the Vision, Initiative, and Perseverance group session. As of December 31, 2018, inventory amounted to $1,666. As of December 31, 2019, all inventory was written off due to obsolescence of the kits.

FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net, consisted of the following at December 31, 2019 and 2018:

Description	2019	2018
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	61,006	54,336
Furniture and equipment, net	$ 6,534	$13,204

Depreciation expense for the years ended December 31, 2019 and 2018 was $6,670 and $6,990, respectively.

REFUNDABLE ADVANCES

Refundable advances made to the Organization as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
JP Morgan Chase & Co.	$46,542	$51,300

(Continued)

LINE-OF-CREDIT

The Organization has a $200,000 line-of-credit, of which $200,000 was unused at December 31, 2019 and 2018. The line-of-credit matures on June 15, 2020 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 (which was 6.5% at December 31, 2019). 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 board designated fund balance at December 31, 2019 and 2018 was $118,811 and $109,264, respectively.

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 $6,507 and $7,098 in 2019 and 2018, respectively.

MAJOR REVENUE AND SUPPORT

Major revenue and support were as follows at December 31, 2019 and 2018:

	2019	2018
City of El Paso	20%	17%
Austin Community College District	14%	24%
Workforce Solutions Borderplex, Inc.	12%	
Wagner Peyser	21%	26%
	67%	67%

(Continued)

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 lease with a five-year term commencing May 1, 2016 through April 30, 2021, for office space utilized for the organization's operations, requiring monthly payments of $8,272.

The Organization leased office equipment under an operating lease that expired on October 27, 2019 with monthly payments equal to $450. The lease has since been extended, expiring on October 27, 2022 with monthly payments equal to $467.

Minimum lease payments for office space and equipment are as follows:

Year Ending December 31,	
2020	$106,965
2021	40,787
2022	6,415
Total	$154,167

Total lease expense, including additional month-to-month leases, was $106,848 and $105,741 for the years ended December 31, 2019 and 2018, respectively.

(Continued)

SUBSEQUENT EVENTS

In January 2020, the Organization received the seventh 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 August 2019, the Organization received notice of a donation from an anonymous donor, in the amount of $200,000. Payment will be made in two equal installments of $100,000. The first installment of $100,000 was received in January 2020. The payments received from this contract are dependent on various performance measures and deliverables as stated in the contract for the period from January 1, 2020 to December 31, 2021.

In February 2020, the Organization received notice of award for the Texas Innovative Adult Career Education Grant Program (ACE), in the amount of $668,521. The payments received from this contract are dependent on various performance measures and deliverables as stated in the contract for the period from September 1, 2019 to August 31, 2021.

In January 2020, the Organization received their November 2019 reimbursement from Wagner Peyser in the amount of $40,214. The Organization also received their September, October, November, and December 2019 reimbursement from the City of El Paso Impact Fund in the amount of $138,764. In February 2020, the Organization received their November 2019 reimbursement from the County of El Paso in the amount of $29,649. Reimbursements are received on a monthly reimbursement basis for expenditures incurred on a month to month basis.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time, however there has been no immediate impact to the Organization's operations. Future potential impacts may include disruptions or restrictions on the Organization's employees' ability to work, reductions in private and government grant funding, and donor contributions. Operating functions may be changed and may increase operating costs, however future effects of these issues are unknown.

The date to which events occurring after December 31, 2019 have been evaluated for possible adjustment to the financial statements or disclosure is May 6, 2020, which is the date on which the financial statements were available to be issued.