PROJECT ARRIBA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

AND INDEPENDENT AUDITORS' REPORT

SBNG

CERTIFIED PUBLIC ACCOUNTANTS

PROJECT ARRIBA

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December 31, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Chief Executive Officer
Project ARRIBA

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, 2020 and 2019, 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 opinion.

(Continued)

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To the Board of Directors and Chief Executive Officer
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, 2020 and 2019, 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 5, 2021

PROJECT ARRIBA

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS	**2020**	**2019**
Current assets:		
Cash and cash equivalents	$ 699,088	$ 560,482
Grants and contracts receivable	185,385	263,860
Current portion of pledge receivable, net of discount	37,180	
Prepaid expenses	17,674	18,229
Total current assets	939,327	842,571
Pledge receivable, net of current portion and discount	109,649	
Property and equipment, net	4,477	6,534
Deposits	6,429	6,429
Total assets	$ 1,059,882	$ 855,534

LIABILITIES AND NET ASSETS	**2020**	**2019**
Current liabilities:		
Accounts payable	$ 102,874	$ 113,964
Accrued expenses	37,054	30,909
Refundable advance		46,542
Total current liabilities	139,928	191,415
Paycheck Protection Program loan	96,401	
Total liabilities	236,329	191,415
Net assets without donor restrictions:		
Undesignated	703,279	545,308
Board designated	120,274	118,811
Total net assets without donor restrictions	823,553	664,119
Total liabilities and net assets	$ 1,059,882	$ 855,534

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, 2020 and 2019

	2020	2019
Support and revenues:		
Grants and contracts	$ 1,060,911	$ 1,241,060
Unrestricted contributions	662,058	416,079
Interest income	963	1,379
Gain on sale of assets	252	
Total support and revenue	1,724,184	1,658,518
Functional expenses:		
Program services	1,323,713	1,283,489
Administrative services	190,059	178,027
Fundraising	50,978	57,620
Total functional expenses	1,564,750	1,519,136
Change in net assets without donor restrictions	159,434	139,382
Net assets without donor restrictions, beginning of year	664,119	524,737
Net assets without donor restrictions, end of year	$ 823,553	$ 664,119

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

PROJECT ARRIBA

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Administrative Services	Fundraising	Total	Program Services	Administrative Services	Fundraising	Total
Participant expenses:								
Tuition expense	$ 397,336	$	$	$ 397,336	$ 365,096	$	$	$ 365,096
School/test materials	132,192			132,192	134,564			134,564
Book expense	177,576			177,576	177,120			177,120
Child care expense	35,352			35,352	48,031			48,031
Support services	2,614			2,614	2,998			2,998
Total participant expenses	745,070			745,070	727,809			727,809
Employee salaries	357,753	107,905	37,045	502,703	328,034	101,733	34,505	464,272
Employee benefits and payroll taxes	91,430	28,413	7,987	127,830	86,888	25,873	7,592	120,353
Rent expense	83,383	11,912	3,971	99,266	83,385	11,912	3,971	99,268
Contract labor and professional fees	5,851	20,457	158	26,466	7,379	17,982	222	25,583
Office expense	7,233	9,816	914	17,963	8,919	10,208	658	19,785
Telephone	4,039	6,138	176	10,353	4,627	4,497	189	9,313
Contributions	10,000			10,000	10,000			10,000
Equipment lease	6,939	991	330	8,260	6,367	910	303	7,580
Small furniture and equipment	4,362	2,791		7,153	11,197			11,197
Insurance	4,215	603	201	5,019	4,164	595	198	4,957
Depreciation	3,438	1,023	196	4,657	4,720	1,652	298	6,670
Travel		10		10		999	10	1,009
Fundraising event							9,674	9,674
Provision for obsolete inventory						1,666		1,666
Total operating expenses	578,643	190,059	50,978	819,680	555,680	178,027	57,620	791,327
Total functional expenses	$ 1,323,713	$ 190,059	$ 50,978	$ 1,564,750	$ 1,283,489	$ 178,027	$ 57,620	$ 1,519,136

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

PROJECT ARRIBA

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 159,434	$ 139,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,657	6,670
Provision for obsolete inventory		1,666
Gain on sale of assets	(252)	
(Increase) decrease in:		
Grants, contracts and pledge receivable	(68,354)	43,662
Prepaid expenses	555	(146)
Increase (decrease) in:		
Accounts payable	(11,090)	(13,100)
Accrued expenses	6,145	2,154
Refundable advances	(46,542)	(4,758)
Net cash provided by operating activities	44,553	175,530
Cash flows from investing activities:		
Proceeds from sale of assets	252	
Purchase of furniture and equipment	(2,600)	
Net cash used in investing activities	(2,348)	
Cash flows from financing activities:		
Paycheck Protection Program loan advance	96,401	
Net cash provided by financing activities	96,401	
Net increase in cash and cash equivalents	138,606	175,530
Cash and cash equivalents, beginning of year	560,482	384,952
Cash and cash equivalents, end of year	$ 699,088	$ 560,482

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, 2020 or 2019. 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, 2020 and 2019, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no allowance has been established.

Property 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 net assets without donor restriction at the time of donation. Purchased property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets, 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.

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, 2020 or 2019.

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.

Revenue Recognition – The Organization's primary sources of revenue include grants, contributions, and contracts that are nonreciprocal and conditional transactions, all of which are not within the scope of Topic 606, "*Revenue from Contracts with Customers*." Therefore, there was no change to the Organization's accounting policies related to such activities as a result of the issuance of this standard.

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, 2020 and 2019.

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, 2017. There are no examinations in progress at December 31, 2020.

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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 creditworthiness of the donor, current economic conditions and the length of the agreement.

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.

(Continued)

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2020 and 2019:

	2020	2019
Current financial assets:		
Cash and cash equivalents	$699,088	$560,482
Grants and contracts receivable	185,385	263,860
Current portion of pledge receivable, net of discount	37,180	
Current financial assets	921,653	824,342
Less:		
Board designated quasi-endowments	(120,274)	(118,811)
Financial assets available to meet cash needs for general expenses within one year	$801,379	$705,531

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, 2020 and 2019:

	2020	2019
City of El Paso - Impact Fund	$ 91,631	$138,764
Austin Community College District	68,230	
County of El Paso	18,104	34,382
Texas Tech University Health Sciences Center	5,975	
General contributions	1,445	50,500
TWC - Wagner Peyser		40,214
	$185,385	$263,860

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PLEDGE RECEIVABLE

On May 1, 2020, the Hunt Family Foundation provided the Organization with a written promise to give of $187,500 to be equally distributed in five payments of $37,500 each, beginning on May 1, 2020 and on or about January 31 of every year, beginning in 2021 through 2024. The pledge was discounted to its present value, at an average discount rate of .86%, compounded annually. As of December 31, 2020, the pledge receivable was $146,829, which included a discount of $3,171. The current portion, net of discount, was $37,180, resulting in the pledge receivable, net of current portion and discount of $109,649. There were no pledges receivable as of December 31, 2019.

The discounted pledge is scheduled to be collected as follows:

Year Ending December 31,

2021	$ 37,500
2022	37,500
2023	37,500
2024	37,500
	150,000
Less discount	3,171
Pledge receivable, net of discount	146,829
Current portion, net of discount	37,180
Pledge receivable, net of current portion and discount	$109,649

There was no bad debt expense associated with the pledge for the years ended December 31, 2020 and 2019.

PREPAID EXPENSES

Prepaid expenses at December 31, 2020 and 2019 consisted of insurance premiums in the amount of $17,674 and $18,229, respectively, paid in advance.

PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following at December 31, 2020 and 2019:

Description	2020	2019
Furniture and equipment	$32,710	$32,710
Website	5,500	5,500
Software	3,924	3,924
Computers	25,738	25,406
	67,872	67,540
Less accumulated depreciation	63,395	61,006
Furniture and equipment, net	$ 4,477	$ 6,534

Depreciation expense for the years ended December 31, 2020 and 2019 was $4,657 and $6,670, respectively.

REFUNDABLE ADVANCE

Refundable advance consisted of an advance made to the Organization from JP Morgan Chase & Co. of $46,542 as of December 31, 2019. There were no refundable advances as of December 31, 2020.

PAYCHECK PROTECTION PROGRAM

In May 2020, the Organization received a loan through the Coronavirus Aid, Relief and Economic Security Act (“CARES”) in the amount of $96,401. CARES authorized the United States Small Business Administration (“SBA”) and financial institutions to provide payroll assistance to eligible businesses through the Paycheck Protection Program (“PPP”). The loan is subject to the terms of CARES and SBA guidelines, has an interest rate of 1% per annum and matures in May 2022. On or before ten months from the loan date, the Organization submitted a request to the lender for debt forgiveness as stipulated in CARES and the PPP. A determination on debt forgiveness had not been received as of the report date. If the loan is not approved for forgiveness, the Organization will make monthly payments to the lender toward the unpaid principal balance on the period beginning after the forgiveness was not approved, and each subsequent month before maturity.

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LINE-OF-CREDIT

The Organization has a $200,000 line-of-credit, of which $200,000 was unused at December 31, 2020 and 2019. The line-of-credit matures in August 2021 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 (effective rate of 4.25% at December 31, 2020). 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, 2020 and 2019 was $120,274 and $118,811, 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 $7,072 and $6,507 in 2020 and 2019, respectively.

MAJOR REVENUE AND SUPPORT

Major revenue and support were as follows at December 31, 2020 and 2019:

	2020	2019
Austin Community College District	22%	14%
City of El Paso	18%	20%
Workforce Solutions Borderplex, Inc.	12%	12%
Wagner Peyser	%	21%
	52%	67%

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OPERATING LEASES

The Organization leases office space for its operations under an operating lease. The agreement began in May 2016 and was for a period of five years, expiring in April 2021, with monthly payments of $8,272. The agreement was renewed subsequent to year-end for an additional five-year term expiring in April 2026, with monthly payments of $7,439 from May 2021 through April 2023 and $7,695 from May 2023 through April 2026.

The Organization leases office equipment for its operations under an operating lease. The agreement began in November 2019 and is for a period of three years, expiring in November 2022, with monthly payments of $467. The office equipment contract also requires monthly maintenance fees of $180 for the duration of the office equipment lease.

Future minimum lease payments are as follows:

Year Ending December 31,	
2021	$100,361
2022	95,732
2023	91,314
2024	92,340
2025	92,340
Thereafter	30,780
Total	$502,867

Total rent expense, including additional month-to-month leases, was $107,526 and $106,848 for the years ended December 31, 2020 and 2019, respectively.

RISK AND UNCERTANTIES

In early 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result, events have occurred domestically in the United States, including mandates from federal, state, and local authorities, leading to an overall decline in economic activity. The ultimate impact of COVID-19 on the future financial performance of the Organization cannot be reasonably estimated at this time.

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.

NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)"*. When effective, the ASU will supersede FASB ASC 840, "*Leases",* and add Topic 842, "*Leases",* to the FASB ASC. For entities other than public business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application is permitted. This ASU is based on the principle that entities should recognize assets and liabilities arising from leases, and does not significantly change the lessee's recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. The ASU's primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The Organization is currently reviewing the provisions of the new standard.

In June 2020, the FASB issued ASU 2020-05, "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities".* This ASU is intended to provide temporary relief to entities considering the COVID-19 pandemic. This ASU amended the effective date of ASU 2016-02, "*Leases (Topic 842)*" to be postponed by one year.

SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2020 have been evaluated for possible adjustment to the financial statements or disclosure is May 5, 2021, which is the date on which the financial statements were available to be issued.