# ETHIOPIA ACT

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

## DECEMBER 31, 2019

BELLENFANT
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# ETHIOPIA ACT

## TABLE OF CONTENTS

BELLENFANT
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ethiopia ACT
Nashville, Tennessee

We have audited the accompanying financial statements of Ethiopia ACT (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 Ethiopia ACT as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Bellenfant, PLLC*

Nashville, Tennessee
February 12, 2021



2919 Berry Hill Dr. • Nashville, TN 37204 • Tel: 615.370.8700 • Fax: 615.370.4475 • www.BellenfantCPA.com

**ETHIOPIA ACT**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31,2019**

**ASSETS**

| | |
|---|---|
| **Current Assets** | |
| Cash and Cash Equivalents | $ 311,947 |
| Total Current Assets | 311,947 |
| **Fixed Assets** | |
| Property and Equipment | 2,652 |
| Less: Accumulated Depreciation | (751) |
| Fixed Assets | 1,901 |
| Total Assets | $ 313,848 |

**LIABILITIES AND NET ASSETS**

| | |
|---|---|
| **Liabilities** | $ - |
| **Net Assets** | |
| Net Assets Without Donor Restrictions | 313,848 |
| Total Net Assets | 313,848 |
| Total Liabilities and Net Assets | $ 313,848 |

The accompanying notes are an integral part of this statement.

# ETHIOPIA ACT

## STATEMENT OF ACTIVITIES

## FOR THE YEAR ENDED DECEMBER 31, 2019

| | |
|---|---|
| **Support** | |
| Contributions | $ 613,550 |
| Total Support | 613,550 |
| **Expenses** | |
| Program Services | |
| Healthcare and Ministry | 427,722 |
| Supporting Services | |
| Management and General | 39,802 |
| Fundraising | 116,388 |
| Total Support Services | 156,190 |
| Total Expenses | 583,912 |
| Change in Net Assets | 29,638 |
| Net Assets, beginning of year | 284,210 |
| **Net Assets, end of year** | $ 313,848 |

The accompanying notes are an integral part of this statement.

**ETHIOPIA ACT**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Program Services | Supporting Services | | |
|---|---|---|---|---|
| | Healthcare and Ministry | Management and General | Fundraising | Total |
| Wages and Salaries | $ - | $ - | $ 13,500 | $ 13,500 |
| Contracted Employees | - | - | 95,336 | 95,336 |
| Payroll Taxes | - | - | 1,222 | 1,222 |
| Total Salaries and Benefits | - | - | 110,058 | 110,058 |
| Gifts of Faith | 410,800 | - | - | 410,800 |
| Travel | 3,288 | - | - | 3,288 |
| Professional Services | 10,784 | 10,784 | - | 21,568 |
| Occupancy | - | 2,960 | - | 2,960 |
| Payroll Service Fee | 731 | - | - | 731 |
| Marketing | - | 6,330 | 6,330 | 12,660 |
| Office Expenses | - | 19,728 | - | 19,728 |
| Miscellaneous | 1,588 | - | - | 1,588 |
| Total Expenses Before Depreciation | 427,191 | 39,802 | 116,388 | 583,381 |
| Depreciation | 531 | - | - | 531 |
| Total Functional Expenses | $ 427,722 | $ 39,802 | $ 116,388 | $ 583,912 |

The accompanying notes are an integral part of this statement.

## ETHIOPIA ACT

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

| | | |
|---|---|---|
| Change in Net Assets | $ | 29,638 |
| Depreciation | | 531 |
| Net Cash Provided by Operating Activities | | 30,169 |
| Net Increase in Cash | | 30,169 |
| Cash and cash equivalents, January 1, 2019 | | 281,778 |
| Cash and cash equivalents, December 31, 2019 | $ | 311,947 |

The accompanying notes are an integral part of this statement.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Purpose

*Ethiopia ACT*, ("the Organization"), was founded in 2014 as a ministry to reduce the impact of HIV/AIDS on extremely poor families. Ethiopia ACT has since grown to include other public health strategies that serve the wider community, as well as educational and psychological support for vulnerable children. Ethiopia ACT provides healthcare and ministry to individuals, families and communities in Addis Ababa, Ethiopia. Ethiopia ACT is an innovative, community healthcare organization committed to breaking the chain of generational poverty by serving the most vulnerable in communities of Addis Ababa.

**Medicine and Health-** The Organization places a high priority on public health interventions. The medicine and health initiative strives to create connections by empowering, partnering and engaging the community in the process of transformation. Ethiopia ACT helps those suffering from diseases such as HIV/AIDS, cervical cancer and tuberculosis.

**Family and Youth-** The organization uses a Christianity based approach to bring the good news of forgiveness, restoration and redemption in word and deed to families in the communities.

**Economic Development-** Ethiopia ACT strives to improve the well-being of all the families they serve. They partner with the families with a goal of them becoming self-sustaining and healthy. The Organization provides business grants and trains individuals in income generating activities. The families have a greater sense of self worth to engage and give back to their community.

**Spirituality and Church Planting-** The organization uses gospel-centered evangelism, discipleship and church planting to holistically transform the community.

### Classification Net Assets With and Without Restriction

Ethiopia ACT has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Financial statement presentation follows the requirements of the FASB Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Classification Net Assets With and Without Restriction (Continued)

*Net assets without donor restrictions* - These are net assets that are not subject to donor-imposed stipulations. The Organization had $313,848 of net assets without donor restrictions as of December 31, 2019.

*Net assets with donor restrictions* - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no net assets with donor restrictions as of December 31, 2019.

The FASB Accounting Standards Codification requires the Organization to report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either when a stipulated time restriction ends or purposed restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restricted funds received and released from restrictions in the same period are reported as net assets without restrictions.

### Change in Accounting Principle

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which 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 those goods or services. ASU 2014-09 is effective for the Organization for the year ended December 31, 2019.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for the Organization for the year ended December 31, 2019.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Change in Accounting Principle (Continued)

In November 2016, FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows.* The standard provides guidance on the classifcation and presentation of changes in resticted cash on the statement of cash flows. The standard also ackowledges and provides guidance on the diversity that exists within this classification. ASU 2016-18 is effective for the Organization for the year ended December 31, 2019. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

### Marketing

The Organization expenses marketing costs as incurred. Advertising costs for the year ended December 31, 2019 were $12,660. All marketing expenses are related to gifts of faith.

### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and include the assets, liabilities, and financial activities of the Organization.

### Depreciation

Fixed Assets with an acquisition cost above $500 are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset as follows:

| | |
|---|---|
| Office Equipment | 5 years |

### Income Taxes

Ethiopia ACT is exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

The Organization files a U.S. Federal Form 990-*Return of Organization Exempt from Income Tax*. The Organization's returns for the years prior to year ended December 31, 2017 are no longer open for examination.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash

For the purposes of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

### Donated Assets and Services

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fundraising campaigns. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills. These services would typically need to be purchased if not provided by donation, and are recorded at their fair values in the period received.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

### Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash on deposit and pledges receivable from individuals. Cash deposits are primarily in financial institutions in Tennessee and, at times, may exceed federally insured amounts. Concentrations of credit risk with respect to pledges receivable are limited to individuals and donors in the greater Nashville area. Management does not believe that significant credit risk exists at December 31, 2019.

### Fair Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, pledges receivable, related party pledges receivable, other assets, and accounts payable: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

## 2. FIXED ASSETS

A summary of fixed assets at December 31, 2019 is as follows:

| | |
|---|---|
| Property and Equipment | 2,652 |
| Fixed Assets - Gross | 2,652 |
| | |
| Less: Accumulated Depreciation | (751) |
| Fixed Assets - Net | $ 1,901 |

## 3. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

| | |
|---|---|
| Cash and Cash Equivalents Without Donor Restrictions | $ 311,947 |
| | |
| Financial assets available to meet cash needs for general expenditures within one year | $ 311,947 |

There is an adequate amount of financial assets available as of December 31, 2019. The Organization effectively manages its available liquid resources to meet cash needs for general expenditures within one year of the balance sheet date.

## 4. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2021, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization characterized the outbreak of the COVID-19 coronavirus as a pandemic. The Organization receives the majority of its revenue from contributions, therefore, the pandemic may be a significant risk to its ability to generate revenue.