

Causa Local Corporation

Audited Financial Statements

December 31, 2019



J E & M A

Causa Local Corporation.

Table of content

	Pages
Report of independent auditors.....	3
Statement of financial position.....	5
Statement of revenue, expenses and change in net assets.....	6
Statement of cash flow.....	7
Notes to the financial statements.....	8

Report of Independent Auditors

To the Board of Directors and Stockholder

Causa Local Corporation

San Juan, Puerto Rico

We have audited the accompanying financial statements of Causa Local Corporation, a non-for-profit entity, (the “Entity”) which comprise the statement of financial position as of December 31, 2019, and the related statements of revenue expenses and changes in net assets and cash flows for the years then ended, and the related notes to the financials.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 our 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, we consider internal control relevant to the Company'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 Company'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 Causa Local Corporation as of December 31, 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



José J. Esparra Cansobre, CPA

Certified Public Accountant (of Puerto Rico)
License No.3512, expiring on December 01,2022
Stamp #E447029 of the P.R. Society of
Certified Public Accountants



San Juan, Puerto Rico

April 5, 2021

Causa Local Corporation
Statement of financial position
December 31, 2019

	<u>12/31/2019</u>
Assets:	
Current assets:	
Cash and cash equivalents	6,067
Account receivable	819
Total current assets	<u>6,886</u>
Total assets	<u>\$ 6,886</u>
Liabilities:	
Sponsorship grant payable	5,000
Other payables	2,700
Total liabilities	<u>7,700</u>
Net assets:	
Without donor restrictions	(814)
With donor restrictions	-
Total net assets	<u>(814)</u>
Total Liabilities and Net assets	<u>\$ 6,886</u>

See accompanying notes to financial statements

Causa Local Corporation

Statement of revenue, expenses and changes in net assets

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support contributions:			
Contributions			
Foundations and trust grants	\$ 16,000	-	\$ 16,000
Public support- corporate and business	11,570	-	11,570
Public support- individuals	500	-	500
Donations- In kind	46,650	-	46,650
Total net assets released from restriction- satisfactions of program restriction	-	-	-
Total Revenue gains and other support	<u>74,720</u>	<u>-</u>	<u>74,720</u>
Expenses:			
Program services			
Award and grants	5,000	-	5,000
Program and event cost	3,111	-	3,111
General and administrative	11,986	-	11,986
Professional Services	23,264	-	23,264
Professional Services- In kind expense	44,750	-	44,750
Rent	1,375	-	1,375
Rent- In kind expense	1,000	-	1,000
Postal service- In kind	900	-	900
Office supplies	441	-	441
Bank charges	615	-	615
Other activities related expense	1,093	-	1,093
Total expenses	<u>93,534</u>	<u>-</u>	<u>93,534</u>
Change in net assets	(18,814)	-	(18,814)
Net assets at the beginning of the year	18,000	-	18,000
Net assets at the end of the year	<u>\$ (814)</u>	<u>\$ -</u>	<u>\$ (814)</u>

See accompanying notes to the financial statements

Causa Local Corporation
Statement of cash flows
For the year ended December 31, 2019

Cash flow provide by operating activities:	
Change in net assets	<u>\$ (18,814)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in account receivable	(819)
Increase in sponsorship grant payable	5,000
Increase in other payables	<u>2,700</u>
Total adjustments	
Net cash used in operating activities	<u>(11,933)</u>
Change in cash and cash equivalent	(11,933)
Cash and cash equivalent, beginning of year	<u>18,000</u>
Cash and cash equivalent, end of year	<u>\$ 6,067</u>

See accompanying notes to financial statements

Causa Local Corporation
Notes to the audited financial statements
For the year ended December 31, 2019

Note 1. Nature

Causa Local Corporation (the “Entity”) was organized under the laws of the Commonwealth of Puerto Rico on July 30, 2018 as a non-for-profit Corporation. Causa Local is a 501(c)(3) entity that provides non-traditional access to capital and business development through its model to trustworthy, talented, socially- and environmentally-conscious small businesses in Puerto Rico to support their growth and resiliency. The Entity supports all phases of the business, from strategic planning to acquiring finance and to marketing, exporting, and publicity. Our one-on-one business development services allow us to dedicate individual attention and hand-holding to identify and support proven talented local entrepreneurs and guide them in their business journey, while creating long-term relationships that secure very high repayment rates for our non-traditional crowd-lending financial services that democratize local access to capital. We are convinced this is exactly what Puerto Rico needs in order for its local economy to flourish in a sustainable way.

Note 2. Summary of significant accounting policies

a) Basis of presentation

The financial statements of the Entity have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 after issuance of authoritative guidance under the Accounting Standard Update (ASU) 2016-14 on August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Entities” (the “Guide”).

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Entity and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Entity. The Entity’s board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Entity or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

b) Contributions and expense recognition

Contributions/Expense Recognition – Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

Causa Local Corporation
Notes to the audited financial statements
For the year ended December 31, 2019

Restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, property and/or equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

As of December 31, 2019, the Entity manages and represent the following programs in Puerto Rico Market:

- **KIVA** is an international nonprofit company, with a mission to expand financial access to help underserved communities thrive. The program work with crowdfunding loans and unlocking capital, improving the quality and cost of financial services, and addressing the underlying barriers to financial access around the world. Through Kiva's work, students can pay for tuition, women can start businesses, farmers are able to invest in equipment and families can afford needed emergency care. 100% of every dollar people lend on Kiva goes to funding loans.

Entity contributions are mainly derived from individual contributions.

c) Use of estimates

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

d) Concentrations of credit risk

Financial instruments that potentially subject the Entity to concentrations of credit risk consist primarily of cash in bank accounts. The Entity limit risk as currently bank balances does not exceed federal insured limits.

Causa Local Corporation
Notes to the audited financial statements
For the year ended December 31, 2019

e) Cash and cash equivalents

The Entity considered cash and cash equivalent balance in regular, checking or flexible bank account, cash on hand or petty cash as of December 31, 2019.

f) Income taxes

The organization is currently seeking to obtain the corporate income tax exemption by the treasury department of Puerto Rico under section 1101.01 of the Puerto Rico internal revenue code of 2011, as amended. Therefore, the Entity is subject to Puerto Rico income tax that at present varies from 20% to a maximum of 39% of net taxable income.

Management expects to receive the exceptions 1101.01 before the end of fiscal year 2021 which will be retrospective apply starting on 2018, as such expected tax balances are academically not existent due to the likelihood of approval for the tax-exempt status for Causa Local Corporation.

g) Commitments and contingencies

Liabilities for loss contingencies, arising from claims, assessments, litigations, fines, penalties and others are recorded when it is probable that a liability will be incurred, and the amount of the assessment and/or remediation can be reasonably estimated.

h) Recently issued accounting standard updates, pronouncements and interpretations:

Not-for Profit Entities (Topic 958) - Accounting Standard Update 2019-06 – In March 2019, the FASB issued authoritative guidance to extend the private company alternatives from Topic 350 (ASU 2014-02) and Topic 805 (ASU 2014-08) to not-for-profit entities. Under the amendments to the accounting alternative in Topic 350, a not-for-profit entity should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the not-for-profit entity demonstrates that a shorter useful life is more appropriate. A not-for-profit entity that elects this accounting alternative is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. A not-for-profit entity is required to test goodwill for impairment when a triggering event occurs that indicates that the fair value of the entity (or a reporting unit) may be below its carrying amount. Under the amendments to the accounting alternative in Topic 805, for transactions occurring after adoption of the alternative, a not-for-profit entity should subsume into goodwill and amortize customer-related intangible assets that are not capable of being sold or licensed independently from the other assets of a business and all noncompetition agreements acquired. A not-for-profit entity that elects the accounting alternative in Topic 805 is required to adopt the alternative in Topic 350 to amortize goodwill. However, a not-for-profit entity that elects the accounting alternative in Topic 350 is not required to adopt the accounting alternative in Topic 805.

The amendments are effective upon issuance of this guidance. A not-for-profit entity should apply the accounting alternative in Topic 350, if elected, prospectively for all existing goodwill and for all new goodwill generated in acquisitions by not-for-profit entities. A not-for-profit entity should apply the accounting alternative in Topic 805, if elected, prospectively upon the occurrence of the first transaction within the scope of the alternative. The Entity is not affected by the implementation of this guidance.

Causa Local Corporation
Notes to the audited financial statements
For the year ended December 31, 2019

Recent Pronouncements – During year ended, December 31, 2019, the FASB and other standard setting bodies issued several other Statements and Interpretations that were not relevant to the Entity's operations.

Note 3. Restrictions of net assets

All the donors-imposed restrictions at year-end December 31, 2019, are uniquely related to contributions received. The donors require that restricted contributions to be used in connection with certain specific programs following mission and vision within the Entity, and to submit evidence of the utilization of mentioned contributions according to the program targeted by the donor.

Note 4. Contributed Services

During the year ended December 31, 2019, the Entity received professional services in-kind from highly trained and / or professionals with specialized skills to support entity's operations. The professional services were provided free of charges by the service providers and /or at a substantial discount. The value of contributed services meeting the requirements for recognition in the financial statements amounted to \$44,750. In addition, the Entity received rent in-kind for several event meeting the requirements and received postal in-kind for recognition in the financial statements amounted to \$1,900.

Note 4. Subsequent events

In preparing these financial statements, Management has evaluated events and transactions for potential recognition or disclosure through April 5, 2021, the date the financial statements were available to be issued.

COVID-19 Pandemic

During March 2020, the World Health Organization characterized the outbreak of coronavirus disease 2019, or COVID-19, as a pandemic. As a preventive measure, on March 15, 2020 the Governor of Puerto Rico impose a partial lockdown. Such partial lockdown was later eliminated, but certain additional measures were implemented on several Executive Orders (EO) thereafter to protect the public and the Entity's employees, which have disrupted certain areas of the business including, but not limited to, operational activities.

The pandemic has led to severe global disruption; nevertheless, the full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Entity's financial condition, liquidity, and future results of operations. Management has been and continues to actively evaluate and monitor the impact of COVID-19 generally and on the Entity's operations, liquidity, financial condition, and workforce. Despite the pandemic, the Company's was able to maintain and grow the operation.