

FIVE TALENTS - USA

JUNE 30, 2019

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in their entirety.**

FIVE TALENTS - USA

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Five Talents - USA
Vienna, Virginia

Scope

We have audited the accompanying financial statements of the Five Talents - USA (Five Talents), which comprise the statement of financial position as of June 30, 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 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.

Board of Directors
Five Talents - USA
Vienna, Virginia

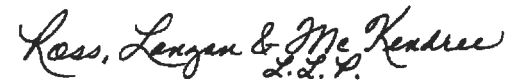
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Five Talents as of June 30, 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.

Adjustments to Prior Period Net Assets

The financial statements of Five Talents as of June 30, 2018, were audited by other auditors whose report dated December 19, 2018, expressed an unmodified opinion on those financial statements. As discussed in Note 8 to the financial statements, Five Talents has adjusted its June 30, 2018, net assets to (1) retrospectively apply the change in accounting in the implementation of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and (2) to correct a material misstatement of contributions receivable. The other auditors reported on the financial statement before the adjustments.

As part of our audit of the financial statements as of June 30, 2019, we also audited the adjustment to the June 30, 2018, net assets to retrospectively apply the change in accounting and correction of the material misstatement as described in Note 8. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Five Talent's June 30, 2018, financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2018, financial statements as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2019

FIVE TALENTS - USA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

ASSETS		
Cash	\$	107,371
Investments		132,307
Contributions receivable, net		151,532
Prepaid expenses and other assets		<u>5,908</u>
 TOTAL ASSETS		 <u>\$ 397,118</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$	13,676
Grants payable		<u>60,000</u>
 TOTAL LIABILITIES		 \$.....73,676
 NET ASSETS		
Net assets without donor restrictions		
Undesignated		56,256
Program reserve fund		<u>75,000</u>
Total net assets without donor restrictions		131,256
Net assets with donor restrictions		<u>192,186</u>
 TOTAL NET ASSETS		 <u>323,442</u>
 TOTAL LIABILITIES AND NET ASSETS		 <u>\$ 397,118</u>

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

FIVE TALENTS - USA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 514,972	\$ 331,597	\$ 846,569
In-kind contributions	87,343	-	87,343
Investment and other income, net	<u>5,060</u>	<u>-</u>	<u>5,060</u>
Total revenue and support before change in multi-year pledges and net assets released from restrictions	607,375	331,597	938,972
Change in revenue due to multi-year pledges	-	80,342	80,342
Net assets released from restrictions	<u>330,161</u>	<u>(330,161)</u>	<u>-</u>
Total revenue and support937,53681,7781,019,314
EXPENSES			
Program services	675,735	-	675,735
Management and general	114,126	-	114,126
Fundraising	<u>135,243</u>	<u>-</u>	<u>135,243</u>
Total expenses	<u>925,104</u>	<u>-</u>	<u>925,104</u>
CHANGE IN NET ASSETS	12,432	81,778	94,210
NET ASSETS, BEGINNING OF YEAR	<u>118,824</u>	<u>110,408</u>	<u>229,232</u>
NET ASSETS, END OF YEAR	<u>\$ 131,256</u>	<u>\$ 192,186</u>	<u>\$ 323,442</u>

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

FIVE TALENTS - USA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Support Services			Total Support Services	Total Expenses
	Program Services	Management and General	Fundraising		
EXPENSES					
Cash payments to program partners	\$ 351,546	\$ -	\$ -	\$ -	\$ 351,546
Other program partner support	110,308	-	-	-	110,308
Salaries, benefits, and taxes	174,476	55,386	94,671	150,057	324,533
Professional fees	619	44,706	4,591	49,297	49,916
Occupancy	9,677	3,072	5,251	8,323	18,000
Domestic travel and meetings	10,864	3,401	12,307	15,708	26,572
Other expenses	<u>18,245</u>	<u>7,561</u>	<u>18,423</u>	<u>25,984</u>	<u>44,229</u>
 TOTAL EXPENSES	 <u>\$ 675,735</u>	 <u>\$ 114,126</u>	 <u>\$ 135,243</u>	 <u>\$ 249,369</u>	 <u>\$ 925,104</u>

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

FIVE TALENTS - USA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 94,210
Adjustments to reconcile change in net assets to net change in cash from operating activities:	
Realized and unrealized (gains)/losses on investments, net	3,188
Depreciation and amortization	1,875
Changes in assets and liabilities:	
Contributions receivable	(61,822)
Prepaid expenses and other assets	(792)
Accounts payable and accrued expenses	(4,422)
Grants payable	<u>40,000</u>
Net change in cash from operating activities	\$ 72,237
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(67,436)
Proceeds from sales and maturities of investments	<u>78,414</u>
Net change in cash from investing activities	10,978
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment made on line of credit	<u>(20,000)</u>
CHANGE IN CASH	63,215
CASH, BEGINNING OF YEAR	<u>44,156</u>
CASH, END OF YEAR	<u>\$ 107,371</u>

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

FIVE TALENTS - USA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - THE ORGANIZATION

Five Talents - USA (Five Talents) was incorporated in the Commonwealth of Virginia in March 1999 as a not-for-profit organization. Five Talents works through local Anglican Communion churches around the world to combat poverty in developing countries using micro-enterprise development and is a member of the Five Talents International (FTI) family, which includes sister organizations in the United Kingdom and Kenya.

Five Talents' vision is to eradicate extreme poverty by restoring human dignity and creating strong, sustainable communities. Five Talents works to combat poverty in the developing world by:

- Equipping community leaders to care for the poor and less fortunate,
- Empowering poor families with knowledge and skills to read, write, save, and invest, and
- Developing community savings groups and helping families to launch and grow small businesses.

Five Talents signs memorandums of understanding (MOUs) with microenterprise development partners to operate community savings and lending programs in developing countries. These documents provide for future funding from Five Talents based on mutually-agreed upon plans. Five Talents also receives funds designated for certain programs and countries.

Programs

Direct program funds for the year ended June 30, 2019, were expended in the following areas: grants to overseas partners for operations, training, consulting, and gift-in-kind direct to program totaled \$396,046, and overseas travel by staff and consultants for monitoring, oversight, and technical assistance for overseas partners totaled \$62,334. Below is a summary of Five Talents impact by country through June 30, 2019:

Latin America

Bolivia - Five Talents has worked in the mountainous areas of Southern Bolivia for over a decade reaching out to families living in extreme poverty. In partnership with Seeds of Blessing, Five Talents facilitates small business development through training, mentorship, and community savings and loans. Participants join small savings groups and receive training in budgeting, saving, cost of credit, business planning, nutrition, and discipleship. They learn how to invest in and grow small businesses.

Asia

Indonesia - For well over a decade, Five Talents has partnered with the Gerhati Foundation to serve entrepreneurs in the urban slums of Jakarta. Program participants gain access to micro-business loans, participate in a savings program, and receive training in budgeting and other business skills. Their families, many of which face unhealthy living conditions, also gain access to free medical clinics several times a year.

Myanmar - Five Talents has worked in Myanmar almost a decade with Mothers' Union and the Province of Myanmar to catalyze microenterprise development. Five Talents' programs have focused on the creation of savings and loan groups in rural and undeveloped regions of Irrawaddy Delta, Yangon, Mandalay, Sittwe, Hpa-An in Kayin State, and Myitkyina in Kachin State. Savings group members establish or develop their own businesses and often work together to form cooperatives. A variety of agricultural businesses have been developed.

FIVE TALENTS - USA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 - THE ORGANIZATION (continued)

Programs (continued)

Africa

Burundi - Burundi is the world's most rural country with 90 percent of the population engaged in farming. It is also one of the world's poorest countries with 70 percent subsisting on less than one dollar per day. Five Talents partners with the Mothers' Union and the Anglican Church in Burundi to offer training in literacy and numeracy, business skills, and the formation of community savings groups. Members have access to mentorship, basic financial services, and emergency funds.

Democratic Republic of Congo - In 2018, Five Talents began a new ministry in the Diocese of Aru, in the northeastern corner of Democratic Republic of Congo. Over the past year, Five Talents has worked to mobilize church and community leaders, and the training and mentoring of staff and community workers, while launching new literacy groups in different communities.

Kenya - Five Talents began working in Kenya well over a decade ago and has served communities in Embu, Thika, Nakuru, and Kericho. In 2018, Five Talents supported the formation of a new program serving three dioceses in Western Kenya. Participants in these programs learn key skills in financial management and business development. They also engage in community-owned and managed savings groups, meeting together on a weekly basis. Most members start as subsistence level farmers, but many end up developing their own small businesses.

South Sudan - Five Talents has worked successfully in South Sudan and Sudan for over a decade and has worked to develop a sustainable model for microfinance in the country. Working in partnership with World Concern, Mothers' Union, and the Episcopal Church of South Sudan, Five Talents has served members with business skills training and access to community savings and loans. In addition, women and men have been accredited in literacy and numeracy. In 2018, Five Talents programs focused on Western Bahr el Ghazal, Warrap State, and displaced communities around Juba, while supporting the development of a new program in Renk in Upper Nile.

Tanzania - Five Talents has worked in Tanzania for over a decade with a variety of local partners to provide financial inclusion services to the rural poor. This includes providing women with access to community savings and micro-loans for local development. In 2018, Five Talents programs focused on the region of Morogoro.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which is the sole source of authoritative accounting principles generally accepted in the United States of America (GAAP). The financial statements of Five Talents have been prepared on the accrual basis of accounting. The significant accounting policies are described below. Net assets have been classified as without donor restrictions and with donor restrictions in accordance with GAAP.

FIVE TALENTS - USA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

All contributions, including unconditional promises to give, are recorded as made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are reported at their net present realizable value. Unconditional promises to give due in subsequent years are reported at their net present realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The contributions receivable as of June 30, 2019, are due to be received as follows:

<u>Years ending June 30,</u>	
2020	\$ 53,750
2021	60,000
2022	50,000
Less: discount	<u>(12,218)</u>
Contributions receivable, net	<u>\$ 151,532</u>

Contributions receivable are charged to bad debt loss as they are deemed uncollectible. No amount was recorded as an allowance for uncollectible accounts as of June 30, 2019. Five Talents has received pledges of \$24,000 conditioned on future fund-raising by the donors as of June 30, 2019, that are not recorded in the accompanying financial statements. Five Talents receives donations from recurring donors that are deemed to be conditional and are therefore recorded when payment is received.

Grants Payable

Five Talents signs MOUs and/or makes pledges to make cash grants to program partners. The MOUs typically have termination clauses and therefore Five Talents does not record the commitments until all such conditions are relieved. As of June 30, 2019, Five Talents had \$60,000 in unconditional pledged grants to program partners due in the year ended June 30, 2020, and \$13,676 in grants to program partners conditioned on future circumstances.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program and supporting services benefited based on estimates of time and effort of staff. As discussed further in Note 8, Five Talents implemented Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 changed the definition of what could be considered program, management and general, and fundraising expenses and therefore, Five Talents previously allocated certain costs that are now entirely reported as management and general expenses.

FIVE TALENTS - USA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Five Talents received a determination letter from the Internal Revenue Service (IRS) that it has been granted an exemption from federal income taxes and it qualifies as a publicly supported organization under Section 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC). Five Talents has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2) of the IRC. Five Talents believes its operations are consistent with the nature of their exemption granted by the IRS. There is no current liability for income taxes and no temporary differences resulting in deferred taxes as of June 30, 2019.

Five Talents is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions Five Talents has taken in the tax years that remain subject to examination or expects to take on an income tax return. Five Talents recognizes the tax benefits from uncertain income tax positions only if it is more likely than not the tax position will be sustained on examination by tax authorities. Five Talents recorded no liability for uncertain income tax positions for any open tax years.

In-kind Contributions

Five Talents recognizes contribution revenue for certain services, stock, and materials received at the fair value of those services, stock, and materials as of the date of donation. Five Talents policy is to liquidate donated stock as quickly as administratively feasible. In the year ended June 30, 2019, Five Talents received the following in-kind contributions:

Donated stock	\$	14,039
In-kind grant expenses		44,500
Donated legal fees		23,400
Other		<u>5,404</u>
Total in-kind contributions	\$	<u>87,343</u>

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Five Talents has evaluated subsequent events through November 19, 2019, which is the date the financial statements were available to be issued.

NOTE 3 - COMMITMENTS

Five Talents signed a lease agreement for office space that expires September 30, 2019, with an automatic one-year renewal each year if notice is not given before June 30 each year subject to rent increases consistent with the consumer price index. Rent is \$1,500 monthly and future minimum rentals for the year ending June 30, 2020, is \$4,500. Rent expense was \$18,000 for the year ended June 30, 2019.

FIVE TALENTS - USA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of June 30, 2019:

Time and purpose restricted -		
Programs in Africa	\$	44,178
Programs in Asia		1,250
Purpose restricted -		
Programs in Africa		54,776
Programs in Asia		1,875
Knippers Educational Fund		4,003
Time restricted -		
Passage of time		<u>86,104</u>
Total net assets with donor restrictions	\$	<u>192,186</u>

Five Talents has received donor restricted contributions for the Knippers Educational Fund. This fund was created in the memory of Diane Knippers to provide scholarships to church leaders, missionaries, and poor entrepreneurs living or working in developing countries the opportunity to advance their knowledge and expertise in the field of microenterprise development.

Net assets were released from donor restriction in the year ended June 30, 2019, as follows:

Purpose restrictions accomplished -		
Programs in Africa	\$	187,801
Programs in Asia		25,821
Programs in Latin America		12,039
Time restrictions expired due to passage of time		<u>104,500</u>
Total net assets released from donor restrictions	\$	<u>330,161</u>

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Five Talents measures and reports financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements:

- Level 1 - quoted prices in active market for identical assets or liabilities as of the reporting date;
- Level 2 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves); and
- Level 3 - uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

FIVE TALENTS - USA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT (continued)

The table below summarizes investments, by level, for items measured at fair value on a recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 10,984	\$ -	\$ -	\$ 10,984
Equity mutual funds	86,669	-	-	86,669
Fixed income mutual funds	<u>34,654</u>	<u>-</u>	<u>-</u>	<u>34,654</u>
 Total investments at fair value	 <u>\$ 132,307</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 132,307</u>

NOTE 6 - CONCENTRATION RISK

Five Talents maintains cash and investments in federally insured banks and broker-managed accounts and has exposure to credit risk on those accounts. Cash held in bank accounts is insured up to Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2019, Five Talents had no cash in excess of FDIC limits. Assets held in broker managed accounts are insured by the Securities Investor Protection Corporation, which protects investors for up to \$500,000, including a maximum of \$250,000 for claims of cash equivalents, if the brokerage firm holding the assets becomes insolvent, but it does not insure the underlying assets of \$132,307. These assets fluctuate with changes in the market. Five Talents believes its credit risk is not significant.

In the year ended June 30, 2019, approximately 48 percent of total revenue and support was provided by 8 donors. As of June 30, 2019, approximately 81 percent of net contributions receivable were pledged by 3 donors.

NOTE 7 - FINANCIAL ASSETS AND LIQUIDITY

Financial assets available within one year for operations that are not subject to restrictions that make them unavailable for general operations as of June 30, 2019, were as follows:

Cash	\$ 107,371
Investments	132,307
Current contributions receivable, net	53,750
Prepaid expenses	5,147
Less: amounts unavailable for general operations	<u>(169,404)</u>
 Total financial assets available within one year for operations	 <u>\$ 129,171</u>

In addition to the financial assets available within one year for operations, the Board of Directors has designated \$75,000 to be set aside to provide a source of working capital for emergencies. Five Talents also has available a line of credit agreement to borrow up to \$40,000. Borrowings under the line of credit bear interest payable monthly at 6.0 percent and are secured by investment accounts owned by Five Talents. No amount was drawn on the line of credit as of June 30, 2019.

FIVE TALENTS - USA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - ADJUSTMENTS TO PRIOR PERIOD ADJUSTMENTS

In the year ended June 30, 2019, Five Talents retrospectively implemented Accounting Standards Update (ASU) No. 2016-14. This standard is intended to improve the net asset classification requirements, the information presented in the financial statements, and notes about a not-for-profit organization's liquidity, financial performance, net assets, cash flows, and expenses. As a result of this implementation, Five Talents renamed unrestricted net assets, net assets without donor restrictions and temporarily restricted net assets, net assets with donor restrictions.

Five Talents also restated its net assets as of June 30, 2018, to correct an understatement of contributions receivable, net and to correct a misclassification of net assets by type. The changes to net assets as of June 30, 2018, is as follows:

Temporarily restricted net assets as previously stated, June 30, 2018	\$ 37,525
Recognition of additional contributions receivable, net	37,440
Reclassification of net assets	<u>35,443</u>
Net assets with donor restrictions, June 30, 2018	<u>\$ 110,408</u>
Unrestricted net assets as previously stated, June 30, 2018	\$ 154,267
Reclassification of net assets	<u>(35,443)</u>
Net assets without donor restrictions, June 30, 2018	<u>\$ 118,824</u>