



Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017 (Restated)

ENTRUST

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Entrust
Colorado Springs, Colorado

We have audited the accompanying financial statements of Entrust, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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.

Board of Directors
Entrust
Colorado Springs, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Entrust, as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Entrust has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. As described in note 9 to the financial statements, Entrust identified adjustments pertaining to amounts previously reported as net assets with donor restrictions. Accordingly, the 2017 financial statements now presented have been restated and opening net asset classifications as of January 1, 2017 and have been adjusted.

Capin Crouse LLP

Colorado Springs, Colorado
March 18, 2019

ENTRUST

Statements of Financial Position

	December 31,	
	2018	2017
		(Restated)
ASSETS:		
Cash and cash equivalents	\$ 1,974,920	\$ 1,981,824
Prepaid expenses and other assets	89,360	86,377
Pledge receivable	200,000	-
Fixed assets–net	236,951	268,922
Total Assets	<u>\$ 2,501,231</u>	<u>\$ 2,337,123</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 69,732	\$ 84,802
Backpay payable	5,550	23,323
	<u>75,282</u>	<u>108,125</u>
Net assets:		
Net assets without donor restrictions:		
Operating	218,729	165,014
Equity in fixed assets–net	236,951	268,922
	<u>455,680</u>	<u>433,936</u>
Nets assets with donor restrictions	1,970,269	1,795,062
	<u>2,425,949</u>	<u>2,228,998</u>
Total Liabilities and Net Assets	<u>\$ 2,501,231</u>	<u>\$ 2,337,123</u>

See notes to financial statements

ENTRUST

Statements of Activities

	Year Ended December 31,					
	2018			2017 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 71,056	\$ 4,468,306	\$ 4,539,362	\$ 65,916	\$ 3,953,121	\$ 4,019,037
Seminar and material fees	72,950	-	72,950	90,597	-	90,597
Interest and other income	6,204	-	6,204	5,540	-	5,540
Total Support and Revenue	150,210	4,468,306	4,618,516	162,053	3,953,121	4,115,174
NET ASSETS RELEASED:						
Purpose restrictions	3,860,793	(3,860,793)	-	3,359,036	(3,359,036)	-
Administrative assessments	432,306	(432,306)	-	401,651	(401,651)	-
Total Net Assets Released	4,293,099	(4,293,099)	-	3,760,687	(3,760,687)	-
EXPENSES:						
Program services	3,583,436	-	3,583,436	3,050,662	-	3,050,662
Supporting activities:						
General and administrative	587,496	-	587,496	548,467	-	548,467
Fund-raising	250,633	-	250,633	193,822	-	193,822
	838,129	-	838,129	742,289	-	742,289
Total Expenses	4,421,565	-	4,421,565	3,792,951	-	3,792,951
Change in Net Assets	21,744	175,207	196,951	129,789	192,434	322,223
Net Assets, Beginning of Year as previously stated	433,936	1,795,062	2,228,998	260,415	1,646,360	1,906,775
Cumulative effect of change in accounting principle	-	-	-	43,732	(43,732)	-
Net Assets, Beginning of Year as restated	433,936	1,795,062	2,228,998	304,147	1,602,628	1,906,775
Net Assets, End of Year	\$ 455,680	\$ 1,970,269	\$ 2,425,949	\$ 433,936	\$ 1,795,062	\$ 2,228,998

See notes to financial statements

ENTRUST

Statement of Functional Expenses

	Year Ended December 31, 2018					
	Program Services	Supporting Activities			Total	TOTAL
		General and Administrative	Fund- Raising			
Salaries and benefits	\$ 2,031,307	\$ 445,427	\$ 152,338	\$ 597,765	\$ 2,629,072	
Other service fees	370,205	13,938	4,125	18,063	388,268	
Grants	355,593	-	-	-	355,593	
Travel	298,222	18,249	12,948	31,197	329,419	
Course production/training	250,363	-	-	-	250,363	
Occupancy	58,062	36,714	4,573	41,287	99,349	
Conferences and meetings	79,903	15,237	954	16,191	96,094	
Office expenses	62,018	15,615	6,250	21,865	83,883	
Supporter Contact	-	-	66,635	66,635	66,635	
Depreciation	45,257	4,011	659	4,670	49,927	
Information technology	21,377	14,516	2,151	16,667	38,044	
Professional fees	-	14,265	-	14,265	14,265	
Language school and professional development	11,129	1,752	-	1,752	12,881	
Insurance	-	7,327	-	7,327	7,327	
Miscellaneous	-	445	-	445	445	
 Total Expenses	 \$ 3,583,436	 \$ 587,496	 \$ 250,633	 \$ 838,129	 \$ 4,421,565	
	81%	13%	6%	19%	100%	

See notes to financial statements

ENTRUST

Statement of Functional Expenses

	Year Ended December 31, 2017 (restated)				
	Supporting Activities				
Program Services	General and Administrative	Fund-Raising	Total	TOTAL	
Salaries and benefits	\$ 1,876,791	\$ 429,352	\$ 109,903	\$ 539,255	\$ 2,416,046
Other service fees	249,878	12,165	5,307	17,472	267,350
Travel	241,174	8,160	16,421	24,581	265,755
Grants	239,127	-	-	-	239,127
Course production/training	181,699	-	-	-	181,699
Conferences and meetings	107,211	13,537	-	13,537	120,748
Occupancy	56,532	34,008	7,287	41,295	97,827
Office expenses	34,823	15,286	5,480	20,766	55,589
Supporter Contact	-	-	45,722	45,722	45,722
Depreciation	37,533	3,725	926	4,651	42,184
Information technology	19,772	10,903	2,764	13,667	33,439
Professional fees	-	13,375	-	13,375	13,375
Language school and professional development	6,041	1,137	12	1,149	7,190
Insurance	-	6,819	-	6,819	6,819
Miscellaneous	81	-	-	-	81
Total Expenses	\$ 3,050,662	\$ 548,467	\$ 193,822	\$ 742,289	\$ 3,792,951
	80%	15%	5%	20%	100%

See notes to financial statements

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Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors	\$ 4,339,350	\$ 4,019,037
Cash received from other revenue	77,857	99,711
Cash paid to or on behalf of others	(2,641,352)	(2,429,107)
Cash paid to vendors	(1,760,605)	(1,390,924)
Net Cash Provided by Operating Activities	<u>15,250</u>	<u>298,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(26,154)	(133,827)
Proceeds from sale of fixed asset	4,000	4,000
Net Cash Used by Investing Activities	<u>(22,154)</u>	<u>(129,827)</u>
Net Change in Cash and Cash Equivalents	(6,904)	168,890
Cash and Cash Equivalents, Beginning of Year	<u>1,981,824</u>	<u>1,812,934</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,974,920</u>	<u>\$ 1,981,824</u>

See notes to financial statements

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Notes to Financial Statements

December 31, 2018 and 2017 (Restated)

1. NATURE OF ORGANIZATION:

Entrust is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, Entrust is subject to federal income tax on any unrelated business taxable income. In addition, Entrust is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Entrust was originally incorporated in the state of Texas. In 2008, Entrust legally changed its state of incorporation to Colorado. Entrust also does business under the names Biblical Education by Extension International and BEE International.

The mission of Entrust is to multiply church leaders through accessible, locally owned, reproducible training systems. Jesus taught that the key to fulfilling His Great Commission was to train leaders who would disciple other leaders. In like manner, Entrust partners with ministries around the world to establish ongoing church-based training of servant leaders for generations to come. Entrust wants to see well trained servant leaders in every local church in the world equipped through biblical leadership training that is indigenous and accessible financially, geographically, culturally, and educationally.

Entrust's mission is accomplished primarily through direct public support of their programs by individuals, businesses, churches and other non-profit organizations located throughout the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Entrust maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking accounts and interest-bearing money market accounts. As of December 31, 2018 and 2017, these accounts exceeded federally insured limits by approximately \$1,475,000 and \$1,482,000. Entrust has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

PLEDGE RECEIVABLE

Pledge receivable consists of an unconditional commitment made by an organization. As of December 31, 2018, the pledge receivable is \$200,000, with \$100,000 to be received in each year ended December 31, 2019 and 2020. The pledge is expected to be received in full, and therefore management has not recorded an allowance for doubtful pledges as of December 31, 2018. Due to overall immateriality, no discount on pledge receivable has been recorded as of December 31, 2018.

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Notes to Financial Statements

December 31, 2018 and 2017 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets mainly consist of monthly or quarterly advances to missionaries to cover future expenditures.

FIXED ASSETS

Fixed assets are stated at cost, or if donated, at the estimated fair market value at the date of donation. Items donated with restrictions regarding its use and contributions of cash to acquire fixed assets are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is recorded using the straight-line method over estimated useful lives of 2-10 years. Fixed assets purchased or donated exceeding \$1,000 are capitalized.

ACCOUNTS PAYABLE AND BACKPAY PAYABLE

Accounts payable consist of expenses incurred prior to year-end and paid after year-end, as well as expenses incurred prior to year-end but not paid for lack of funds. Backpay payable consists of compensation due to staff members that has not been paid for lack of funds. As support is raised beyond a staff member's monthly needs, the backpay balance and program service expense reimbursements are paid. These payables are tracked for 18 months, and if after that amount of time the funds still have not been raised, the expenses and salary are cancelled and the liability is removed.

NET ASSETS

The net assets of Entrust are reported in the following categories:

Net assets without donor restrictions consist of resources that are available for current operations, and those resources invested in subsidiaries and property and equipment.

Net assets with donor restrictions include donor-restricted contributions for specified exempt purposes.

SUPPORT AND REVENUE AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised, or when ownership of donated assets is transferred to Entrust. Contributions restricted by the donor for specific purposes are recorded as support in net assets with donor restrictions until a stipulated time restriction ends or the purpose restrictions are met by Entrust. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from purpose restrictions. Donations that are restricted for missionaries and projects, and seminar and material revenues, are assessed administrative charges of 10% for the years ended December 31, 2018 and 2017, respectively.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

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Notes to Financial Statements

December 31, 2018 and 2017 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Entrust. These expenses include salaries and benefits, other service fees, travel, occupancy, conference and meetings, office expenses, depreciation, information technology, and language school and professional development. Depreciation and amortization are allocated based on square footage, and costs of other categories were allocated on estimates of time and effort.

ADVERTISING

Entrust uses advertising and promotion to communicate its programs to the organization's supporters and potential supporters. Advertising and promotion costs are expensed as incurred. Advertising and promotion expense for the years ended December 31, 2018 and 2017, was \$66,635 and \$45,722, respectively.

CHANGE IN ACCOUNTING PRINCIPLE

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Entrust adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and the availability of resources (note 3).

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Entrust's financial assets reduced by amounts not available for general use within one year, as of December 31, 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the Board of Directors has set aside funds.

Financial assets:

Cash and cash equivalents	\$ 1,974,920
Pledge receivable	200,000
Financial assets, at year-end	<u>2,174,920</u>
Less those unavailable for general expenditures within one year, due to:	
Missionary funds not expected to be used within one year	(84,800)
Project funds not expected to be used within one year	(37,700)
Pledge receivable not expected to be collected within one year	<u>(100,000)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 1,952,420</u>

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Notes to Financial Statements

December 31, 2018 and 2017 (Restated)

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

Entrust manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Entrust has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. Entrust has a policy to target a year-end balance of reserves of net assets without donor restrictions at 120 days of expected expenditures. To achieve these targets, Entrust monitors its liquidity and cash reserves monthly.

4. FIXED ASSETS–NET:

Fixed assets–net consist of:

	December 31, 2018		
	United States	Foreign Countries	Total
Building	\$ -	\$ 103,345	\$ 103,345
Equipment	51,303	78,502	129,805
Leasehold improvements	20,271	-	20,271
Furniture	11,164	-	11,164
	<u>82,738</u>	<u>181,847</u>	<u>264,585</u>
Accumulated depreciation	(67,729)	(81,520)	(149,249)
	<u>15,009</u>	<u>100,327</u>	<u>115,336</u>
Construction in process	-	121,615	121,615
Fixed assets–net	<u>\$ 15,009</u>	<u>\$ 221,942</u>	<u>\$ 236,951</u>
	December 31, 2017		
	United States	Foreign Countries	Total
Building	\$ -	\$ 116,345	\$ 116,345
Equipment	50,063	78,098	128,161
Leasehold improvements	20,271	-	20,271
Furniture	11,164	-	11,164
	<u>81,498</u>	<u>194,443</u>	<u>275,941</u>
Accumulated depreciation	(59,775)	(47,945)	(107,720)
	<u>21,723</u>	<u>146,498</u>	<u>168,221</u>
Construction in process	-	100,701	100,701
Fixed assets–net	<u>\$ 21,723</u>	<u>\$ 247,199</u>	<u>\$ 268,922</u>

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Notes to Financial Statements

December 31, 2018 and 2017 (Restated)

4. FIXED ASSETS–NET, continued:

Management has reviewed the assets in other countries and, in its opinion, determined they are under the control and ownership of Entrust. While such items are recognized as assets of Entrust, it should be noted that the political situation in many other countries is subject to rapid change. Therefore, the reader should be aware that while Entrust believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood the carrying value of the assets in other countries may not be representative of the amount that could be realized should the assets be sold.

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2018	2017
Staff support	\$ 1,088,465	\$ 1,157,941
Projects	881,804	637,121
	<u>\$ 1,970,269</u>	<u>\$ 1,795,062</u>

6. RETIREMENT PLAN:

Entrust has a 403(b) retirement plan that is available to all employees. As of December 31, 2018 and 2017, there were no employer contributions.

7. OPERATING LEASE:

Rent expense for both years ended December 31, 2018 and 2017, was \$59,087. Future minimum payments for the lease are:

<u>Year Ending December 31,</u>	
2019	\$ 59,087
2020	59,087
2021	9,848
	<u>\$ 128,022</u>

8. SUBSEQUENT EVENTS:

Subsequent events were evaluated through March 18, 2019, which is the date the financial statements were available to be issued.

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Notes to Financial Statements

December 31, 2018 and 2017 (Restated)

9. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:

During the year ended December 31, 2018, upon adopting ASU 2016-14, management determined that certain amounts previously reported as net assets with donor restrictions are required to be released into net assets without donor restrictions. As a result, the 2017 financial statements have been restated to properly reflect these amounts. The impact of this restatement on the financial statements is as follows:

	As Previously Stated	Cumulative Effective of Change in Accounting Principle	As Restated
Net assets without donor restrictions as of January 1, 2017	\$ 260,415	\$ 43,732	\$ 304,147
Net assets with donor restrictions as of January 1, 2017	\$ 1,646,360	\$ (43,732)	\$ 1,602,628
Net assets without donor restrictions as of December 31, 2017	\$ 297,047	\$ 136,889	\$ 433,936
Net assets with donor restrictions as of December 31, 2017	\$ 1,931,951	\$ (136,889)	\$ 1,795,062
Purpose restrictions released for the year ended December 31, 2017	\$ 3,265,879	\$ 93,157	\$ 3,359,036
Change in net assets without donor restrictions for the year ended December 31, 2017	\$ 36,632	\$ 93,157	\$ 129,789
Change in net assets with donor restrictions for the year ended December 31, 2017	\$ 285,591	\$ (93,157)	\$ 192,434