

Enactus

Financial Report
December 31, 2021

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Independent Auditor's Report

Board of Directors
Enactus

Opinion

We have audited the financial statements of Enactus (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, expenses by function and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Kansas City, Missouri
May 3, 2022

Enactus

Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,783,088	\$ 1,324,868
Accrued interest and other receivables	276,029	53,127
Prepaid expenses	166,708	48,307
Investments	1,018,559	893,248
Contributions receivable, net of allowance and discount; \$107,478—2021 and \$159,727—2020	1,094,624	577,226
Property and equipment, net	66,951	134,274
Other	234,049	182,811
Total assets	\$ 4,640,008	\$ 3,213,861
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 232,214	\$ 286,783
Funds held for affiliates	1,190,405	1,057,335
Accrued expenses	173,557	77,203
Total liabilities	1,596,176	1,421,321
Net assets (deficit):		
Without donor restrictions	(1,508,980)	(1,675,807)
With donor restrictions	4,552,812	3,468,347
Total net assets	3,043,832	1,792,540
Total liabilities and net assets	\$ 4,640,008	\$ 3,213,861

See notes to financial statements.

Enactus

Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 1,622,381	\$ 3,777,012	\$ 5,399,393
In-kind contributions	70,000	-	70,000
Investment return	-	166,400	166,400
Gain on forgiveness of debt	661,000	-	661,000
Other	359,866	-	359,866
Net assets released from restrictions	2,858,947	(2,858,947)	-
Total revenues, gains and other support	5,572,194	1,084,465	6,656,659
Expenses and losses:			
Program services	4,348,633	-	4,348,633
Management and general	244,873	-	244,873
Fundraising	811,861	-	811,861
Total expenses and losses	5,405,367	-	5,405,367
Change in net assets	166,827	1,084,465	1,251,292
Net assets (deficit), beginning of year	(1,675,807)	3,468,347	1,792,540
Net assets (deficit), end of year	<u>\$ (1,508,980)</u>	<u>\$ 4,552,812</u>	<u>\$ 3,043,832</u>

See notes to financial statements.

Enactus

Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 2,093,152	\$ 1,416,056	\$ 3,509,208
In-kind contributions	7,449	-	7,449
Investment return	-	141,702	141,702
Lease income	315,750	-	315,750
Gain on forgiveness of debt	661,000	-	661,000
Other	53,011	-	53,011
Net assets released from restrictions	2,806,522	(2,806,522)	-
Total revenues, gains and other support	5,936,884	(1,248,764)	4,688,120
Expenses and losses:			
Program services	5,614,350	-	5,614,350
Management and general	201,136	-	201,136
Fundraising	892,141	-	892,141
Total expenses and losses	6,707,627	-	6,707,627
Change in net assets	(770,743)	(1,248,764)	(2,019,507)
Net assets (deficit), beginning of year	(905,064)	4,717,111	3,812,047
Net assets (deficit), end of year	<u>\$ (1,675,807)</u>	<u>\$ 3,468,347</u>	<u>\$ 1,792,540</u>

See notes to financial statements.

Enactus

Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,251,292	\$ (2,019,507)
Items not requiring (providing) cash:		
Depreciation	43,643	245,459
Gain on forgiveness of debt	(661,000)	(661,000)
Net gain on investments	(156,391)	(124,501)
Loss on disposition of property and equipment	24,966	1,281,906
Changes in:		
Accrued interest and other receivables	(222,902)	35,625
Prepaid expenses	(118,401)	156,421
Contributions receivable	(517,398)	1,434,898
Other assets	(51,238)	(48,633)
Accounts payable and accrued expenses	41,785	(774,554)
Funds held for affiliates	133,070	(450,833)
Net cash used in operating activities	(232,574)	(924,719)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	616	4,807,431
Purchase of property and equipment	(1,902)	(134,132)
Proceeds from sale of investments	31,080	947,828
Net cash provided by investing activities	29,794	5,621,127
Cash flows from financing activities:		
Proceeds from borrowings on long-term debt	661,000	713,244
Principal payments on long-term debt	-	(3,732,487)
Net payments on line of credit	-	(533,686)
Net cash provided by (used in) financing activities	661,000	(3,552,929)
Increase in cash and cash equivalents	458,220	1,143,479
Cash and cash equivalents, beginning of year	1,324,868	181,389
Cash and cash equivalents, end of year	\$ 1,783,088	\$ 1,324,868
Supplemental disclosure of cash flow information:		
Interest paid	\$ 28,497	\$ 201,932

See notes to financial statements.

Enactus

**Statement of Expenses by Function
Year Ended December 31, 2021**

	Program Services	Management and General Expenses	Fundraising Expenses	Total Expenses
Grants and other assistance	\$ 373,870	\$ -	\$ -	\$ 373,870
Director and key employee compensation	656,189	121,304	494,266	1,271,759
Other salaries and wages	1,469,745	86,098	203,754	1,759,597
Pension plan accruals and contributions	53,170	3,736	6,645	63,551
Other employee benefits	113,443	9,213	26,252	148,908
Payroll taxes	134,663	13,387	42,582	190,632
Legal	5,751	634	7,158	13,543
Accounting	51,636	30,218	37,766	119,620
Other	52,108	18,024	35,559	105,691
Advertising and promotion	87,403	-	153	87,556
Office expenses	32,594	1,755	5,306	39,655
Information technology	451,361	8,369	24,604	484,334
Royalties	60,259	-	-	60,259
Occupancy	54,414	2,122	10,175	66,711
Travel	40,596	1,988	4,360	46,944
Conferences, conventions and meetings	453,681	735	2,249	456,665
Interest	23,180	946	4,371	28,497
Depreciation and depletion	41,378	675	1,590	43,643
Insurance	47,115	1,923	8,885	57,923
Bad debt (recovery)	(53,612)	(2,567)	(11,859)	(68,038)
Printing and publications	7,264	1,074	2,531	10,869
Taxes (refunds)	(2,164)	(88)	(408)	(2,660)
Employee development	15,371	998	4,503	20,872
Loss on disposition of fixed assets	24,966	-	-	24,966
Shared services	154,252	(55,671)	(98,581)	-
Total expenses	\$ 4,348,633	\$ 244,873	\$ 811,861	\$ 5,405,367

See notes to financial statements.

Enactus

**Statement of Expenses by Function
Year Ended December 31, 2020**

	Program Services	Management and General Expenses	Fundraising Expenses	Total Expenses
Grants and other assistance	\$ 216,470	\$ -	\$ -	\$ 216,470
Director and key employee compensation	613,321	106,645	440,165	1,160,131
Other salaries and wages	1,379,117	45,704	194,142	1,618,963
Pension plan accruals and contributions	56,232	1,167	9,038	66,437
Other employee benefits	160,461	7,465	36,355	204,281
Payroll taxes	132,815	9,395	36,433	178,643
Legal	10,552	1,795	8,160	20,507
Accounting	16,769	15,094	17,456	49,319
Other	16,816	3,819	16,790	37,425
Advertising and promotion	62,438	-	-	62,438
Office expenses	25,816	1,416	5,214	32,446
Information technology	211,692	9,178	22,047	242,917
Royalties	82,170	-	-	82,170
Occupancy	274,264	14,084	66,632	354,980
Travel	26,397	1,142	9,251	36,790
Conferences, conventions and meetings	469,803	-	-	469,803
Interest	155,215	8,053	38,049	201,317
Depreciation and depletion	198,264	8,707	38,488	245,459
Insurance	44,415	2,304	10,888	57,607
Bad debt	33,286	2,910	13,744	49,940
Printing and publications	8,008	610	1,748	10,366
Taxes	5,503	285	1,349	7,137
Employee development	15,370	968	3,837	20,175
Loss on disposition of fixed assets	1,281,906	-	-	1,281,906
Shared services	117,250	(39,605)	(77,645)	-
Total expenses	\$ 5,614,350	\$ 201,136	\$ 892,141	\$ 6,707,627

See notes to financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: Enactus (the Organization) is an international nonprofit organization that brings together student, academic and business leaders who are committed to using the power of entrepreneurial action to enable progress around the world. Guided by faculty advisors and business experts, participating students form teams on their campuses to create and implement community projects that empower people to improve their quality of life and standard of living. The experience not only transforms lives, but it also helps students develop the kind of talent and perspective that are essential to becoming effective, values-driven leaders. An annual series of regional and national competitions provides a forum for teams to showcase the impact of their outreach efforts and to be evaluated by executives serving as judges. National champion teams advance to the prestigious World Cup. In addition to the community aspect of the program, special leadership and career initiatives create meaningful opportunities for cross-generational learning and exchange as well as the placement of students and alumni with companies in search of emerging talent. The Organization's revenues and other support are derived through corporate and organizational partners, foundations, government agencies and individual donors. Originally founded in 1975 as Students In Free Enterprise, the Organization officially changed its name to Enactus in October 2012.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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, support, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Basis of presentation: The Organization presents its financial statements based on Accounting Standards Codification (ASC) Topic 958, Presentation of Financial Statements.

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions but may be subject to board designations.

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets and are being recognized prospectively.

Cash and cash equivalents: The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, a portion of the Organization's cash equivalents consisted of money market funds held by a broker, which are not Federal Deposit Insurance Corporation (FDIC)-insured.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

The Organization maintains accounts at banks whose balances at various times through the year may exceed federally insured limits. Management monitors the accounts to minimize risk of loss and the Organization has not experienced any losses in such accounts.

Investments and investment return: Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and equipment: Property and equipment is stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture, fixtures and equipment	3-7 years
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Contributions: Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or 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. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the barriers are substantially overcome and the gift becomes unconditional.

In-kind contributions: In addition to receiving cash contributions, the Organization receives in-kind contributions of event facilities, professional services, office supplies and other miscellaneous items from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For the years ended December 31, 2021 and 2020, \$70,000 and \$7,449 of in-kind contributions were received, respectively.

Grants: Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays could be subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization follows the standard for evaluation of uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2019.

Functional allocation of expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Costs incurred at the Organization are allocated among the program, management and general, and fundraising categories, based on the nature of the expense.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal year 2022. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Enactus

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity to meet its annual operating needs and other commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2021 and 2020, the following financial assets are available to meet annual operating needs of the upcoming fiscal year:

	2021	2020
Assets at year-end:		
Cash and cash equivalents	\$ 1,783,088	\$ 1,324,868
Accrued interest and other receivables	276,029	53,127
Prepaid expenses	166,708	48,307
Investments	1,018,559	893,248
Contributions receivable, net	1,094,624	577,226
Property and equipment, net	66,951	134,274
Other	234,049	182,811
Total assets	4,640,008	3,213,861
Less amounts not available to be used within one year:		
Funds held for affiliates	1,190,405	1,057,335
Donor-restricted funds	1,574,834	1,544,203
Contributions receivable due after one year, net of discount	38,369	47,962
Property and equipment, net	66,951	134,274
Other	234,049	182,811
Assets not available to be used within one year	3,104,608	2,966,585
Financial assets available to meet general expenditures within one year	\$ 1,535,400	\$ 247,276

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 7 for information about the Organization's line of credit.

Note 3. Investments and Investment Return

Investments at December 31, 2021 and 2020 consist of the following:

	2021	2020
Government agency obligations	\$ 10,173	\$ 17,664
Corporate debt securities	177,457	182,590
Mutual funds	830,929	692,994
	\$ 1,018,559	\$ 893,248

Enactus

Notes to Financial Statements

Note 3. Investments and Investment Return (Continued)

Total investment return consists of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividend income, net of fees	\$ 10,009	\$ 17,201
Net realized and unrealized gains on investments reported at fair value	156,391	124,501
	<u>\$ 166,400</u>	<u>\$ 141,702</u>

The Organization incurred investment expenses of \$4,040 and \$6,402 during the years ended December 31, 2021 and 2020, respectively.

Note 4. Contributions Receivable

Contributions receivable consist of the following at December 31, 2021 and 2020:

	2021	2020
Due within one year	\$ 1,162,102	\$ 686,953
Due in one to three years	40,000	50,000
	<u>1,202,102</u>	<u>736,953</u>
Less:		
Allowance for uncollectible contributions	105,847	157,689
Unamortized discount	1,631	2,038
	<u>\$ 1,094,624</u>	<u>\$ 577,226</u>

Contributions receivable are classified without donor restrictions if the contribution supports current-year events or operations and are classified with donor restrictions if the contribution supports events or operations in future years. The Organization utilized a discount rate of 4.25% and 4.75% for 2021 and 2020, respectively.

Note 5. Property and Equipment

Property and equipment at December 31, 2021 and 2020, consist of the following:

	2021	2020
Equipment, furniture and fixtures	\$ 343,923	\$ 561,616
Less accumulated depreciation	(276,972)	(427,342)
	<u>\$ 66,951</u>	<u>\$ 134,274</u>

Note 6. Funds Held for Affiliates

The Organization raises funds on behalf of unconsolidated international affiliates. When contributions are received, an asset and a corresponding liability are recorded, with no effect on overall net assets. Upon disbursement, the asset and liability are reduced. At December 31, 2021 and 2020, the Organization held funds totaling \$1,190,405 and \$1,057,335, respectively, for various international affiliates.

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Notes to Financial Statements

Note 7. Line of Credit

The Organization has a revolving line of credit with a bank. Borrowing capacity is limited to a maximum of \$500,000. The line of credit bears interest at the prime rate with a minimum rate of 4.25% and a maximum rate of no more than allowed under applicable law and expires on July 27, 2022. The interest rate was 4.25% on December 31, 2021 and interest is payable monthly. The line of credit is collateralized by all business assets of the Organization. At December 31, 2021 and 2020, there were no balances borrowed against this line of credit.

Note 8. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions at December 31, 2021 and 2020, are available for the following purposes:

	2021	2020
Enactus HQ and USA programs	\$ 2,977,978	\$ 1,924,144
Investment in perpetuity, the income of which is expendable to support:		
Sam M. Walton Free Enterprise Fellow	978,000	978,000
Jules and Gwen Knapp Scholarship	350,000	350,000
Jack Kahl/Sam M. Walton Free Enterprise Fellow of the Year	110,000	110,000
Rohrs Scholarship Endowment Fund	74,203	74,203
Jack Shewmaker Spirit of SIFE Award Fund	62,631	32,000
	<u>\$ 4,552,812</u>	<u>\$ 3,468,347</u>

Net assets released from restrictions: Net assets were released from donor restrictions by incurring expenses satisfying the Enactus HQ and USA programs for which the funds were restricted for as specified by donors. Total net assets released from restrictions were \$2,858,947 and \$2,806,522 for the years ended December 31, 2021 and 2020, respectively.

Note 9. Defined Contribution Plan

The Organization has a defined contribution plan covering substantially all employees. Employer contributions are 3% of wages and then up to an additional 3% match of employee contributions. For the years ended December 31, 2021 and 2020, contribution expense was \$112,991 and \$114,888, respectively.

Note 10. Endowment

The Organization's endowment consists of five individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Notes to Financial Statements

Note 10. Endowment (Continued)

The Organization's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (held in perpetuity) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

The composition of net assets by type of endowment fund at December 31, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,095,802	\$ 2,095,802

The composition of net assets by type of endowment fund at December 31, 2020, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,898,771	\$ 1,898,771

Enactus

Notes to Financial Statements

Note 10. Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,898,771	\$ 1,898,771
Contributions		30,631	30,631
Investment return:			
Investment income	-	10,009	10,009
Net appreciation	-	156,391	156,391
Total investment return	-	166,400	166,400
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	\$ -	\$ 2,095,802	\$ 2,095,802

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,853,169	\$ 1,853,169
Investment return:			
Investment income	-	17,201	17,201
Net appreciation	-	124,501	124,501
Total investment return	-	141,702	141,702
Appropriation of endowment assets for expenditure	-	(96,100)	(96,100)
Endowment net assets, end of year	\$ -	\$ 1,898,771	\$ 1,898,771

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with U.S. GAAP, deficiencies of this nature, if any, would be reported in net assets with donor restrictions.

Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods. The primary investment objectives are to preserve principal and provide income to cover expenses of those projects and programs endowed and to achieve this at a level of risk deemed acceptable. Risk is present in all types of securities and investment styles; some risk is necessary to produce long-term investment results that is sufficient to meet the funds' objectives. Endowment assets are invested in a portfolio that is diversified by both asset class, such as equity securities and fixed income, and within asset classes to manage volatility. Allocations and performance targets are established and are reviewed by the Organization's Investment Committee and investment manager.

Notes to Financial Statements

Note 10. Endowment (Continued)

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

All endowments will follow spending requirements as intended by the donor and as reflected in the specific endowment agreement with a goal to maximize disbursements. If an individual endowment account does not have enough accumulated earnings to make the specified payments, the payments are made out of net assets without donor restrictions. Payouts will be reviewed and adjusted as deemed prudent by the Organization's Investment Committee.

Note 11. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring measurements: The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate debt securities	\$ 177,457	\$ -	\$ 177,457	\$ -
Mutual funds	830,929	830,929	-	-
Government agency obligations	10,173	-	10,173	-
	<u>\$ 1,018,559</u>	<u>\$ 830,929</u>	<u>\$ 187,630</u>	<u>\$ -</u>

Notes to Financial Statements**Note 11. Disclosures About Fair Value of Assets (Continued)**

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate debt securities	\$ 182,590	\$ -	\$ 182,590	\$ -
Mutual funds	692,994	692,994	-	-
Government agency obligations	17,664	-	17,664	-
	<u>\$ 893,248</u>	<u>\$ 692,994</u>	<u>\$ 200,254</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2021 and 2020.

Investments: Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no investments classified as Level 3 within the hierarchy.

Note 12. Significant Estimates, Concentrations and Commitments

U.S. GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments: The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Leases: The Organization conducts a portion of its operations under noncancelable operating leases expiring at various dates through 2023. Future minimum lease payments under noncancelable leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

Years ending December 31:	
2022	\$ 53,738
2023	33,957
	<u>\$ 87,695</u>

Enactus

Notes to Financial Statements

Note 12. Significant Estimates, Concentrations and Commitments (Continued)

Total rent expense for the years ended December 31, 2021 and 2020 was \$61,980 and \$71,529, respectively.

Prior to September 25, 2020, the Organization was the lessor of unused office space in its own building under an operating lease with a term that originally expired in 2024. On September 25, 2020, the Organization sold the building and the lease agreement transferred to the buyer. Net rental income for fiscal year 2020 was \$315,750 and is reported as lease income on the statement of activities.

Note 13. Global Expansion

In addition to the Enactus program in the United States, there are Enactus programs in the nine global regions listed below, encompassing a total of 34 countries. Programs receive various levels of support from Enactus.

Global Region	Country	
Africa	Egypt	Senegal
	Ghana	South Africa
	Kenya	Eswatini
	Morocco	Tunisia
	Nigeria	Zimbabwe
Oceania	Australia	
Central and Eastern Europe	Poland	
Central Asia	Azerbaijan	Kyrgyzstan
	Kazakhstan	Tajikistan
East Asia	China	Philippines
	India	Korea
Eurasia	Ukraine	
North America	Canada	Puerto Rico
	Mexico	United States of America
Western Europe	Belgium	Italy
	France	Netherlands
	Germany	United Kingdom
	Ireland	
South America	Brazil	Guatemala

Note 14. COVID 19

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States and the world. Further, financial markets have experienced volatility attributed to COVID-19 concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which COVID-19 impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak, and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Organization, but such an impact could have a material adverse effect on the financial condition of the Organization.

Notes to Financial Statements

Note 15. CARES Act

The Organization concluded the eligibility requirements for the Employee Retention Credit Program allowed under the CARES Act were met during the year ended December 31, 2021. The Organization records the credits when there is reasonable assurance that it has complied with the conditions required to receive the credit. The credit of \$289,906 is recorded as other income on the statement of activities. A portion of credits have not yet been received as of December 31, 2021, which amounted to \$266,237 and are recorded in accrued interest and other receivables on the statement of financial position.

On March 27, 2020, the Coronavirus, Relief, and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Organization received a Small Business Administration Paycheck Protection Plan (PPP) loan totaling \$661,000 in April 2020. In December 2020, the loan was forgiven by the lender and the Organization was legally released as the primary obligor. The full amount of the note was recognized as a gain on forgiveness of debt in the statement of activities for \$661,000 for the year ended December 31, 2020, in accordance with ASC 470, Debt.

In February 2021, the Organization received a second PPP loan for \$661,000 from the federal government. Under the provisions of the CARES Act, the loan was subject to forgiveness if certain conditions were met. In October 2021, the loan was forgiven by the lender and the Organization was legally released as the primary obligor. The full amount of the note was recognized as a gain on forgiveness of debt in the statement of activities for \$661,000 for the year ended December 31, 2021, in accordance with ASC 470, Debt.

The PPP loans are subject to an audit by the SBA for six years following the date of forgiveness, at which time a refund of all or a portion of the loan may be required.

Note 16. Subsequent Events

Subsequent events have been evaluated through May 3, 2022, which is the date the financial statements were available to be issued.