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ALFALIT INTERNATIONAL INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alfalit International, Inc. and Affiliate
Miami, Florida

We have audited the accompanying consolidated financial statements of Alfalit International, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alfalit International, Inc. and Affiliate as of December 31, 2017, 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.

HLB Gravier, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 17, 2018

ALFALIT INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 266,818
Accounts receivable, net	43,386
Due from affiliate	1,502
Program materials and supplies	166,365
Deposits and prepaids	167,801
TOTAL CURRENT ASSETS	645,872
Property and equipment, net	124,698
Loan receivable, net	235,958
TOTAL ASSETS	$ 1,006,528

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	$ 20,275
TOTAL CURRENT LIABILITIES	20,275
NET ASSETS	
Unrestricted net assets	937,167
Temporarily restricted assets	49,086
TOTAL NET ASSETS	986,253
	$ 1,006,528

The accompanying notes are an integral part of these financial statements

ALFALIT INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Unrestricted	Temporarily Restricted	Total
Support and revenues:				
Contributions		$ 3,544,895	$ 46,050	$ 3,590,945
Special fundraising events revenues	611,440			
Less: Cost off direct benefits to donors	(227,177)			
Net revenues from special events		384,263	-	384,263
In-kind contributions		156,105	-	156,105
Interest, dividends and other income		2,447	-	2,447
Net unrealized gain/(loss)		1,470	-	1,470
Released from restrictions		24,974	(24,974)	-
Total support and revenues		4,114,154	21,076	4,135,230
Expenses:				
Program services		3,464,343	-	3,464,343
General and administrative		324,619	-	324,619
Fundraising		293,416	-	293,416
Total expenses		4,082,378	-	4,082,378
Change in net assets		31,776	21,076	52,852
Net assets at beginning of year		905,391	28,010	933,401
Net assets at end of year		$ 937,167	$ 49,086	$ 986,253

The accompanying notes are an integral part of these financial statements

ALFALIT INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities:	
Change in net assets	$ 52,852
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation expense	12,864
Net unrealized gain	(1,470)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	5,076
Increase in deposits and prepaids	(167,801)
Increase in program materials and supplies	(4,364)
Decrease in loans receivable	34,293
Decrease in accounts payable and accrued expenses	(26,371)
	(147,773)
Net Cash Provided by (Used In) Operating Activities	(94,921)
Cash Flows from Investing Activities:	
Reinvestment of dividends	(2,441)
Proceeds from investments	104,888
Net Cash Provided by Investing Activities	102,447
Net increase in cash during the year	7,526
Cash at beginning of year	259,292
Cash at end of year	$ 266,818

The accompanying notes are an integral part of these financial statements

ALFALIT INTERNATIONAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services			
	Total Program services	General and Administrative	Fundraising	Total Supporting Services	Total
Operating expenses:					
Salaries	$ 1,178,157	$ 63,000	$ 161,106	$ 224,106	$ 1,402,263
Payroll taxes	54,756	5,984	11,661	17,645	72,401
Employee benefits	84,108	15,805	10,020	25,825	109,933
Professional fees	262,435	102,165	101,225	203,390	465,825
Vehicles expense	50,229	20	-	20	50,249
Repairs and maintenance	36,698	17,221	-	17,221	53,919
Books and supplies	312,323	22,764	1,986	24,750	337,073
Telephone	29,047	5,218	-	5,218	34,265
Postage	7,008	1,226	150	1,376	8,384
Freight	18,114	-	-	-	18,114
Occupancy cost	103,190	51,135	-	51,135	154,325
Seminars and training	57,039	1,404	-	1,404	58,443
Travel expense	118,275	132	361	493	118,768
Philanthropic support to countries	329,192	-	-	-	329,192
Depreciation	-	12,863	-	12,863	12,863
In-Kind donations	154,772	1,333	-	1,333	156,105
Other expenses	669,000	24,349	6,907	31,256	700,256
Total functional expenses	$ 3,464,343	$ 324,619	$ 293,416	$ 618,035	$ 4,082,378

The accompanying notes are an integral part of these financial statements

NOTE 1 – ORGANIZATION

Organization and Operations
Alfalit International, Inc. was incorporated in Florida in 1975 as a faith based, world literacy grassroots movement committed to improving the lives of the less privileged by teaching illiterates to read and write. The programs include literacy, adult education, preschool, health, and nutrition and community development. The Organization operates in 13 countries in Latin America, Africa, and the Caribbean, as well as, Portugal and the United States for a total of 23 countries. The Organization provides methodology, training and literacy materials in Spanish, English, Portuguese, Haitian Creole, French and several indigenous languages. The Organization operated in these 23 countries by either direct project control, providing the use of the Alfalit program materials or collaboration with other organizations with similar missions. The Organization's volunteers have taught millions of people to read and write using a simple, yet effective methodology. Alfalit's methodology and educational programs have been recognized nationally and internationally. In 1983, UNESCO presented Alfalit's program in Peru with its First Prize in Adult Literacy. In 1992, it gave special recognition to Alfalit's programs in Guatemala. Moreover, in September 2006, Alfalit was recognized for its program in Bolivia at the first White House Conference on Global Literacy. In 2011, President Barak Obama honored Alfalit's Board President Emeritus Roberto Perez with the 2011 Presidential Citizens Medal for bringing the gift of literacy to communities worldwide.

Alfalit Realty Holdings, Inc. was incorporated in Florida in 2002 for the purpose of owning certain real property used by Alfalit International, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of Alfalit International, Inc. and Alfalit Realty Holdings, Inc. ("The Organization"). The financial statements of these organizations have been consolidated because they have overlapping Board of Directors. All significant inter-company balances and transactions have been eliminated from the consolidated financial statements.

Financial Statement Presentation - The Organization has adopted the provisions of FASB Accounting Standards Codification (ASC) 958 *Accounting for Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classification of resources into three separate classes of net assets: unrestricted, temporarily restricted and permanently restricted. The net assets categories as reflected in the accompanying financial statements are as follows:

Unrestricted
Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted
Accounts for all resources from contributions with donor imposed restrictions as to the manner in which they are to be used. Temporarily restricted net assets at December 31, 2017 consist of funds restricted by donors for use in specified countries. Temporarily restricted contributions received in which the restriction was met in the same accounting period are presented as unrestricted contributions.

Permanently Restricted
Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization are presented as permanently restricted.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization has defined cash and cash equivalents as those highly liquid investments purchased with an original maturity of three months or less. Financial instruments which potentially subject the Organization to concentrations of credit risk consists principally of cash in excess of federally insured limits. The Organization generally limits the amount of credit exposure by maintaining its cash balances under these limits.

Program Materials and Supplies – Program materials and supplies consist of books and other teaching materials acquired by the Organization for use in teaching participants to read, write, and do basic math. Program materials and supplies are stated at cost.

Contributions and Pledges Receivable - Contributions and pledges are recorded as receivables in the year made, net of estimated uncollectible amounts and discounts.

Loans Receivable – The organization has made a loan to one of its correspondent in Liberia, Africa as a community development organization to provide loans to small businesses with the end purpose of supporting and stimulating local economic activity. Loan receivables are initially recorded at the stated amount on the date of disbursement. The Organization maintains allowances for loan losses for potential credit losses through a charge to earnings and a credit to a valuation allowance. The allowance for loan losses on small-balance loans reflects management's best estimate of probable losses determined principally on the basis of historical experience. For larger loans, the allowance for losses is determined primarily on the basis of management's best estimate of probable losses, including specific allowances for known troubled accounts. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses through a charge to the allowance and a credit to loans receivable. When collateral is repossessed in satisfaction of a loan, the receivable is written down against the allowance for losses to the estimated fair value of the asset less costs to sell, transferred to other assets, and subsequently carried at the lower of cost or estimated fair value less costs to sell.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of Investments in Securities at Fair Value - Definition and Hierarchy - The Organization reports its investments in marketable securities at fair market value in the statement of financial position. Unrealized gains and losses are included in the statement of activities. The Organization has adopted ASC 820, Fair Value Measurements and Disclosures. In accordance with ASC 820, fair value is defined as the price that the Organization would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent counter-party in the principal market or in the absence of a principal market, the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs); and establishes a classification of fair value measurements for disclosure purposes. The hierarchy is summarized in the three broad levels listed below.

- Level 1- quoted prices in active markets for identical investments
- Level 2- other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3- significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments)

During the year ended December 31, 2017, all investment securities were sold. All of the investments sold by the Organization were Level 1 securities (See Note 3).

Property and Equipment – Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to compute depreciation range from 5 years to 31 years. Donated property and equipment are recorded at their estimated fair market value at the date of donation. Costs of major additions and improvements that extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Support and Revenue – Cash contributions are generally available for unrestricted use in the related year, unless specifically restricted by the donor.

Revenues, contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Donations, ticket sales, auction sales and sponsorships revenues related to special events are recognized when the events take place net of the costs of direct donor benefits that are not program related costs and are provided in exchange transactions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind contributions of donated non-cash assets are recorded at their fair value in the period received. They consist primarily of volunteer services, donated books, facilities and supplies. The Organization only recorded the value of donated services for field personnel, classrooms and materials for Angola, Bolivia, and Liberia supported operations, but it is estimated that there are over 6,500 additional facilitators in the field donating services to the Organization in Central America, Latin America, Africa, Europe, and the Caribbean that have not been accounted for.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. During the year ended December 31, 2017, general and administrative expenses represents 7.44% of total support and revenues.

Income Taxes - Alfalit International, Inc. is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity. Accordingly, no provision for income taxes is required as of December 31, 2017.

Alfalit Realty Holdings, Inc has been granted an exemption from income taxes under Internal Revenue Code 501(c)(2) for the purpose of holding title to property. Accordingly, no provision for income taxes is required as of December 31, 2017.

The Organization has adopted *"Accounting for Uncertainties in Income Taxes"* as prescribed by the *Accounting Standards Codification,* which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination.

Management's Use of Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at December 31, 2017 and the reported amounts of revenue and expenses during the year then ended. Actual results could differ from those estimates.

Subsequent Events - In accordance with ASC 855, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through September 17, 2018, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

The Organization has adopted ASC 958-320, *Accounting for Debt and Equity Investments Held by Not-for-Profit Organizations*, which requires that investments in most debt and equity securities of not-for-profit organizations be reported at fair value with gains and losses included in the statement of activities. Fair market value is defined and determined in accordance with ASC 820, *Fair Value Measurements*. The following is a summary of investments held at December 31, 2017:

	Cost	Unrealized Appreciation (Depreciation)	Sold	Fair Value
Mutual Funds	$ 106,733	$ (1,845)	$ (104,888)	$ -
Total Investments	$ 106,733	$ (1,845)	$ (104,888)	$ -

The net unrealized gain recorded for the year ended December 31, 2017 was $1,470.

NOTE 4 – ACCOUNTS RECEIVABLE

At December 31, 2017 accounts receivable consist of $45,386, net of an estimated $2,000 allowance for uncollectible promises.

NOTE 5 – PROVISION FOR LOAN LOSSES

As indicated in Note 2, the Organization extended a higher risk loan to a correspondent in Liberia, Africa as a community development organization to provide loans to small businesses with the end purpose of supporting and stimulating local economic activity. Such a loan is tied to foreign risk and therefore, subject to various political, economic, and other risks and uncertainties inherent in that foreign country. Among other risks, the collection of this loan is subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations. Accordingly, the Organization has recorded a loan loss provision of $14,224 relating to these loans. Activity in the allowance for loan losses is as follows:

	2017
Balance, beginning of the year	$ 14,224
Provision adjustment	-
Amounts written off	-
Balance, end of the year	$ 14,224

NOTE 6 – PROPERTY AND EQUIPMENT

At December 31, 2017, property and equipment consisted of the following:

Building	$	152,677
Building improvements		147,711
Furniture, fixtures and equipment		3,063
Software		4,270
		307,721
Less accumulated depreciation		(183,023)
	$	124,698

NOTE 7- BANK LINE OF CREDIT

On October 4, 2006 the organization obtained a revolving line of credit in the amount of $50,000, which is due on demand and expires on April 4, 2022. The line of credit is used for working capital needs. Interest is payable monthly on the outstanding balance at 75% over the Wall Street Journal's prime rate with a floor rate of 5 % throughout the life of the note (5.25% at December 31, 2017). The outstanding balance at December 31, 2017 was $0.

NOTE 8-RELATED PARTY TRANSACTIONS

Contributions include the following for the year ending December 31, 2017:

Total Board Members Support	$	3,266,584

NOTE 9 – REVENUE AND OTHER SUPPORT

For the year ended December 31, 2017, the Organization had total gross support and revenue of $4,362,407 of which $3,266,584 was received from board members. The support received from board members represented approximately 75% of its total support for the year.