

LIMITLESS HORIZONS IXIL, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



LIMITLESS HORIZONS IXIL, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Limitless Horizons Ixil, Inc.
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Limitless Horizons Ixil, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statement 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
Limitless Horizons Ixil, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Limitless Horizons Ixil, Inc. as of December 31, 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.

Other Matters

Emphasis of Matter

As described in Note 10, Limitless Horizons Ixil, Inc. restated its 2018 financial statements to eliminate assets and liabilities which were not directly owned by Limitless Horizons Ixil, Inc.

As described in Note 11, Limitless Horizons Ixil, Inc. has addressed the ongoing pandemic in progress at the time of the issuance of the audited financial statements. Our opinion on the 2019 financial statements has not been modified with respect to this matter.

J. Miller & Associates, LLC

Philadelphia, Pennsylvania
October 13, 2020

LIMITLESS HORIZONS IXIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 516,428
Investments	207,839
Pledges receivable, net	250,136
Grant and contributions receivable	58,031
Prepaid expenses and other assets	12,666
Total Current Assets	1,045,100

PROPERTY AND EQUIPMENT

Office equipment	6,490
Computer equipment	6,044
Total Property and equipment	12,534
Less: accumulated depreciation	10,269
Property and equipment, Net	2,265

Total Assets	\$ 1,047,365
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 7,831
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NET ASSETS

Without donor restrictions	367,559
With donor restrictions	671,975

Total Net Assets	1,039,534
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Total Liabilities and Net Assets	\$ 1,047,365
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LIMITLESS HORIZONS IXIL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>
REVENUE AND SUPPORT			
Contributions	\$ 198,148	\$ 796,228	\$ 994,376
Grants	25,000	8,200	33,200
Handicraft sales	18,296	-	18,296
Community engagement trip revenue	41,674	-	41,674
Interest and dividends	7,149	-	7,149
Unrealized gain on investments	19,494	-	19,494
Net Assets Released from Restrictions	<u>189,000</u>	<u>(189,000)</u>	<u>-</u>
Total Revenues and Support	<u>498,761</u>	<u>615,428</u>	<u>1,114,189</u>
Expenses			
Program services	317,384	-	317,384
General and administrative	40,235	-	40,235
Fundraising	<u>64,030</u>	<u>-</u>	<u>64,030</u>
Total Expenses	421,649	-	421,649
Change in Net Assets	<u>77,112</u>	<u>615,428</u>	<u>692,540</u>
Net Assets at Beginning of Year	324,800	56,547	381,347
Prior period adjustment	<u>(34,353)</u>	<u>-</u>	<u>(34,353)</u>
Net Assets at beginning of year - restated	<u>290,447</u>	<u>56,547</u>	<u>346,994</u>
Net Assets at End of Year	<u><u>\$ 367,559</u></u>	<u><u>\$ 671,975</u></u>	<u><u>\$ 1,039,534</u></u>

LIMITLESS HORIZONS IXIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Supporting Subtotal	Total 2019
		General and Administrative	Fundraising		
Distributions to Guatemalan NGO	\$ 166,320	\$ -	\$ -	\$ -	\$ 166,320
Salaries and related benefits	76,768	12,283	33,778	46,061	122,829
Cost of handicraft sales	1,322	-	-	-	1,322
Stipends	6,292	1,716	3,432	5,148	11,440
Community engagement trip	24,453	-	-	-	24,453
Rent, utilities and maintenance	9,346	1,495	4,112	5,607	14,953
Travel and meals	6,503	1,040	2,861	3,901	10,404
Telephone and technology	3,784	605	1,665	2,270	6,054
Bank and processing fees	-	4,393	-	4,393	4,393
Accounting fees	-	7,502	-	7,502	7,502
Consulting	18,532	10,857	15,537	26,394	44,926
Printing, publication, and postage	-	-	1,715	1,715	1,715
Depreciation	1,894	-	-	-	1,894
Miscellaneous	2,170	344	930	1,274	3,444
Total Expenses	\$ 317,384	\$ 40,235	\$ 64,030	\$ 104,265	\$ 421,649

LIMITLESS HORIZONS IXIL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 692,540
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,894
Net unrealized gain on investments	(19,494)
Discount on pledges receivable	8,264
Increase:	
Grants and contributions receivable	(4,552)
Pledges receivable	(258,400)
Prepaid expenses and other assets	(9,238)
Increase in:	
Accounts payable and accrued liabilities	1,021
Net Cash Provided by Operating Activities	412,035
Cash Flows from Investing Activities:	
Purchases of investments	(90,936)
Net Cash Used in Investing Activities	(90,936)
Net Increase in Cash and Cash Equivalents	321,099
Cash and Cash Equivalents, Beginning of Year	195,329
Cash and Cash Equivalents, End of Year	\$ 516,428

See accompanying Notes to Financial Statements.

LIMITLESS HORIZONS IXIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 ORGANIZATION

Nature of Operations

Limitless Horizons Ixil, Inc. (“LHI”) is a nonprofit organization, incorporated in the State of Massachusetts. LHI’s mission is to create opportunities for the indigenous youth, women, and families of Chajul, Guatemala, to develop the academic and professional skills needed to effect change in their lives and community.

To support its mission LHI provides support to Horizontes Sin Limites, a local non-governmental organization registered in Guatemala. This support is referred to in the statement of functional expenses as distributions to Guatemalan NGO.

During the year ended December 31, 2019, LHI began a capital campaign to support the building of a school in Chajul, Guatemala.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

LHI prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) which involve the application of the accrual basis of accounting; consequently revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Grant and Contributions Receivable

Grant and contributions receivable are stated at the amount management expects to collect from outstanding balances. It is LHI's policy to charge off uncollectible grants receivable when management determines that the grants receivable will not be collectible. As of December 31, 2019, management has established that no allowance for doubtful accounts is necessary.

Pledges Receivable

Pledges receivable are stated net of a discounts of \$8,264 at December 31, 2019 based on LHI's calculation of the discount and based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor’s ability to pay.

Cash and Cash Equivalents

LHI considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

LIMITLESS HORIZONS IXIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial Statement Presentation

To ensure the observance of limitations and restrictions on the use of resources available to LHI its net assets and revenues have been reported according to the following classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions and may be used for any purpose in performing the primary objectives of LHI. These net assets may be used at the discretion of LHI’s management and the board of directors and are considered net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions or law. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. These donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

LHI carries investments in marketable securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by a donor are reported as increases in net assets received without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment and Depreciation

Furniture and equipment are recorded at cost, or if received as a gift, at fair value when acquired. Depreciation is computed on the straight-line basis over the estimated useful lives, which range from three to seven years. When items of furniture and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Maintenance and repairs are charged to expense as incurred; major renewals and betterments with a cost in excess of \$1,000 are capitalized.

LIMITLESS HORIZONS IXIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses, such as community engagement trips, salaries, and consulting are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of time and usage. Management and general expenses include those expenses that are not directly identifiable with any other specific function and provide for the overall support and direction of LHI.

Income Taxes

LHI is exempt from income tax as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in these financial statements. LHI adopted the income tax standard for uncertain tax positions on January 1, 2009. The implementation of the standard had no effect on the net assets of LHI.

Recent Accounting Pronouncements Not Yet Adopted

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which outlined a single comprehensive model to use for accounting for revenue arising from customers and superseded nearly all existing GAAP revenue recognition guidance, including industry-specific guidance. The core principle of the standard is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which the LHI expects to be entitled in exchange for those good or services. The standard requires significantly expanded disclosure about revenue recognition and is effective for fiscal years beginning after December 15, 2020. LHI is in the process of implementing the provisions of ASU 2014-09 and has not yet determined the impact on the financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)." The primary objective of the standard is to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset. The standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. LHI is currently evaluating the standard and its impact on the financial statements.

LIMITLESS HORIZONS IXIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 CONCENTRATION OF CREDIT RISK

LHI maintains its cash balances in various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per depositor. As of December 31, 2019, LHI’s uninsured cash balance totaled approximately \$32,000.

NOTE 4 PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. LHI distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated present value of the future cash flows.

Pledges are expected to be realized in the following periods:

Less than one year	\$ 99,700
One to five years	<u>158,700</u>
	258,400
Less	
Discount, at 2%	<u>(8,264)</u>
Net unconditional promises to give	<u><u>\$ 250,136</u></u>

NOTE 5 INVESTMENTS

The following is a summary of investments as of December 31, 2019:

	Cost	Level 1 Fair Market Value	Unrealized Appreciation (Depreciation)
Certificates of Deposit	\$ 87,965	\$ 87,965	\$ -
Bond and Stock Fund	<u>87,490</u>	<u>119,874</u>	<u>(32,384)</u>
	<u><u>\$ 175,455</u></u>	<u><u>\$ 207,839</u></u>	<u><u>\$ (32,384)</u></u>

Investment return is summarized as follows for the year ended December 31, 2019:

Interest and dividend income	\$ 3,369
Unrealized gain on investments	<u>19,494</u>
Investment return	<u><u>\$ 22,863</u></u>

LIMITLESS HORIZONS IXIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 INVESTMENTS (CONTINUED)

Accounting standards for fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Institute uses appropriate valuation techniques based on the available inputs to measure fair value of its investments when available. LHI measures fair value for its holdings of bond and stock funds using level 1 inputs because they provide the most reliable evidence of fair value.

The fair value of bond and stock funds have been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. There have been no changes in valuation techniques and related inputs.

NOTE 6 LIQUIDITY AND AVAILABILITY

The following represents LHI's financial assets as of December 31, 2019:

Financial assets, at year-end	
Cash and cash equivalents	\$ 516,428
Pledges receivable, net	250,136
Grants and contributions receivable	58,031
Investments	<u>207,839</u>
Total financial assets	1,032,434
Amounts not available to be used in one year	<u>(158,700)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 873,734</u>

LHI regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. LHI typically maintains its financial assets in cash and investment accounts available for sale with a goal of having funds available when needed.

In addition to financial assets available to meet general expenditures over the next 12 months, LHI operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

LIMITLESS HORIZONS IXIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 NET ASSETS

Net assets with donor restrictions as of December 31, 2019 consist of the following:

Purpose or time restriction:

Capital Campaign	\$ 669,475
Time restrictions	2,500
	\$ 671,975

Net assets released from donor restrictions were as follows for the year ended December 31, 2019:

Scholarships	\$ 42,453
Capital Campaign	90,000
Time restrictions	56,547
	\$ 189,000

NOTE 8 COMMITMENTS

Building Lease

On October 31, 2018, LHI signed a lease agreement for office space located in Santa Cruz, California and which expires on December 31, 2020 for \$958 per month plus common area charges. For the year ended December 31, 2019 rent expense totaled \$13,876 and is included in rent, utilities and maintenance on the accompanying statement of functional expenses.

Aggregate minimum future rentals for the next year from December 31, 2019 is as follows

2020	\$	11,496
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NOTE 9 RETIREMENT PLAN

LHI makes contributions on behalf of all employees, who meet certain eligibility requirements, to employees' pension retirement accounts established under Section 408(k) of the Internal Revenue Code. For the year ended December 31, 2019, retirement plan expense was \$4,167 and is included in salaries and related benefits on the accompanying statement of functional expenses.

LIMITLESS HORIZONS IXIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 **PRIOR PERIOD ADJUSTMENT**

LHI previously recorded cash, land and land improvements and severance liability as assets and liabilities of LHI. The assets and liabilities are the legal title and obligation of Horizontes Sin Limites, the non-governmental organization that is supported by LHI. Accordingly, LHI restated its financial statements for the year ended December 31, 2018. The cumulative effect of the correction was to decrease beginning net assets without donor restrictions as of December 31, 2018 by \$34,353.

NOTE 11 **SUBSEQUENT EVENTS**

LHI has evaluated subsequent events through October 13, 2020, which is the date the financial statements were available to be issued.

In February 2020, LHI signed a Memorandum of Understanding (“MOU”) with Building Goodness Foundation (“BGF”), a 501(c)3 organization related to the construction of a school in Chajul, Guatemala. In accordance with MOU, LHI sent \$300,000 to BGF in February 2020.

In March 2020, in response to the emerging COVID-19 pandemic, LHI transitioned to remote work arrangements for its employees to help reduce the rate of ‘community spread’ and the systematic impact on public health. It is uncertain what the economic impact will be on this rapidly evolving crisis on the overall economy and the trickledown effect to LHI’s assets, investments, and operations. As this crisis continues to unfold, LHI’s management will make ongoing strategic decisions to manage operations.

In May 2020, LHI obtained a \$20,900 loan under the Paycheck Protection Program. Any balance of the loan that is not forgiven will be subject to 1% interest.