



ENTRUST

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

ENTRUST

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses, Year Ended December 31, 2022	5
Statement of Functional Expenses, Year Ended December 31, 2021	6
Statements of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITORS' REPORT

Board of Directors
Entrust
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Entrust, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Entrust as of December 31, 2022 and 2021, 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Entrust 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 these 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 Entrust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Entrust
Colorado Springs, Colorado

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Entrust'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 Entrust'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.

Capin Crouse LLP

Colorado Springs, Colorado
April 14, 2023

ENTRUST

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 1,830,371	\$ 1,902,210
Investments	453,796	451,538
Prepaid expenses and other assets	23,639	76,101
Pledges receivable	-	7,000
Operating lease–right-of-use asset	69,265	-
Fixed assets–net	102,296	78,986
Total Assets	\$ 2,479,367	\$ 2,515,835
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 45,496	\$ 63,377
Backpay payable	39,573	3,011
Operating lease liability	70,309	-
Total liabilities	155,378	66,388
Net assets:		
Net assets without donor restrictions	418,353	422,247
Nets assets with donor restrictions	1,905,636	2,027,200
Total net assets	2,323,989	2,449,447
Total Liabilities and Net Assets	\$ 2,479,367	\$ 2,515,835

See notes to financial statements

ENTRUST

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 159,032	\$ 3,858,084	\$ 4,017,116	\$ 124,496	\$ 3,618,229	\$ 3,742,725
Contributed services	141,009	-	141,009	153,188	-	153,188
Seminar and material fees	19,035	-	19,035	22,670	-	22,670
Interest and other income	5,808	-	5,808	10,439	-	10,439
Total Support and Revenue	324,884	3,858,084	4,182,968	310,793	3,618,229	3,929,022
NET ASSETS RELEASED:						
Purpose restrictions	3,575,379	(3,575,379)	-	3,209,569	(3,209,569)	-
Administrative assessments	404,269	(404,269)	-	394,164	(394,164)	-
Total Net Assets Released	3,979,648	(3,979,648)	-	3,603,733	(3,603,733)	-
EXPENSES:						
Program services	3,597,872	-	3,597,872	3,186,953	-	3,186,953
Supporting activities:						
General and administrative	356,167	-	356,167	361,561	-	361,561
Fund-raising	354,387	-	354,387	402,073	-	402,073
	710,554	-	710,554	763,634	-	763,634
Total Expenses	4,308,426	-	4,308,426	3,950,587	-	3,950,587
Change in Net Assets	(3,894)	(121,564)	(125,458)	(36,061)	14,496	(21,565)
Net Assets, Beginning of Year	422,247	2,027,200	2,449,447	458,308	2,012,704	2,471,012
Net Assets, End of Year	\$ 418,353	\$ 1,905,636	\$ 2,323,989	\$ 422,247	\$ 2,027,200	\$ 2,449,447

See notes to financial statements

ENTRUST

Statement of Functional Expenses

	Year Ended December 31, 2022			
	Program Services	Supporting Activities		Total
		General and Administrative	Fund- Raising	
Salaries and benefits	\$ 2,375,343	\$ 265,606	\$ 278,110	\$ 2,919,059
Other service fees	285,767	58,000	4,000	347,767
Grants	234,696	-	-	234,696
Travel	233,227	-	-	233,227
Office expenses	112,387	6,334	6,632	125,353
Conferences and meetings	119,526	-	-	119,526
Occupancy	105,184	6,106	6,394	117,684
Course production/training	78,707	114	120	78,941
Supporter contact	-	-	55,910	55,910
Depreciation	22,036	202	202	22,440
Information technology	16,392	1,684	1,763	19,839
Professional fees	415	16,174	51	16,640
Insurance	7,235	856	897	8,988
Language school and professional development	5,032	68	71	5,171
Miscellaneous	1,925	1,023	237	3,185
	<u>\$ 3,597,872</u>	<u>\$ 356,167</u>	<u>\$ 354,387</u>	<u>\$ 4,308,426</u>
Total Expenses	84%	8%	8%	100%

See notes to financial statements

ENTRUST

Statement of Functional Expenses

	Year Ended December 31, 2021			
	Program Services	Supporting Activities		Total
		General and Administrative	Fund- Raising	
Salaries and benefits	\$ 2,204,829	\$ 326,777	\$ 322,361	\$ 2,853,967
Other service fees	290,085	786	775	291,646
Grants	338,475	-	-	338,475
Travel	64,834	-	-	64,834
Office expenses	99,229	6,826	6,734	112,789
Conferences and meetings	32,373	-	-	32,373
Occupancy	87,478	7,591	7,488	102,557
Course production/training	23,356	-	-	23,356
Supporter contact	-	-	61,051	61,051
Depreciation	14,917	546	539	16,002
Information technology	15,135	2,115	2,086	19,336
Professional fees	-	15,525	-	15,525
Insurance	6,444	1,028	1,014	8,486
Language school and professional development	9,680	11	11	9,702
Miscellaneous	118	356	14	488
	<u>\$ 3,186,953</u>	<u>\$ 361,561</u>	<u>\$ 402,073</u>	<u>\$ 3,950,587</u>
Total Expenses	81%	9%	10%	100%

See notes to financial statements

ENTRUST

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (125,458)	\$ (21,565)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	22,440	16,002
Reinvested dividends	(2,258)	(8,515)
Non-cash effect of change in accounting principle	1,044	-
Change in operating assets and liabilities:		
Pledge receivable	7,000	300,135
Prepaid expenses and other assets	52,462	(37,891)
Accounts payable	(17,881)	2,386
Backpay payable	36,562	1,511
Net Cash Provided (Used) by Operating Activities	<u>(26,089)</u>	<u>252,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	<u>(45,750)</u>	<u>(35,442)</u>
Net Cash Used by Investing Activities	<u>(45,750)</u>	<u>(35,442)</u>
Net Change in Cash and Cash Equivalents	(71,839)	216,621
Cash and Cash Equivalents, Beginning of Year	<u>1,902,210</u>	<u>1,685,589</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,830,371</u>	<u>\$ 1,902,210</u>
SUPPLEMENTAL DISCLOSURE:		
Operating lease–right-of-use asset obtained in exchange for operating lease liability	<u>\$ 127,587</u>	<u>\$ -</u>

See notes to financial statements

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

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 nonprofit 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, 2022 and 2021, Entrust has cash and cash equivalents on deposit with financial institutions that exceed the federally insured balance by approximately \$387,000 and \$464,000, respectively.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of monthly or quarterly advances to missionaries to cover future expenditures, prepayments for insurance, and deposits for leases and venues for future events.

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PLEDGES RECEIVABLE

Pledges receivable consists of unconditional commitments made by organizations. As of December 31, 2022 and 2021, pledges receivable are \$0 and \$7,000, respectively. The full \$7,000 balance recorded as of December 31, 2021 was received during the year ended December 31, 2022.

OPERATING LEASE–RIGHT-OF-USE ASSET AND LIABILITY

Entrust adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standards below) and its related amendments as of January 1, 2022, which resulted in the recognition of an operating lease–right-of-use asset totaling \$69,265, as of December 31, 2022 as well as an operating lease liability totaling \$70,309. Entrust elected to adopt the transition relief provision from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Note 5.

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 their 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.

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

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2022 and 2021.

The Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requires recording the value of contributed services that create or enhance the nonfinancial assets or require specialized skills. Entrust recorded seconded missionary staff services from an unrelated nonprofit organization that meet these requirements. Contributed services are reflected in the statements of activities at their estimated fair market value on the date the services are provided.

Seminar and material fees are collected from participants and recognized as revenue when the performance obligation is satisfied; that is, when the event occurs.

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

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 is allocated based on square footage, and costs of other categories were allocated on estimates of time and effort.

ADVERTISING (SUPPORTER CONTACT)

Entrust communicates its programs and financial and prayer needs primarily through personal and written contact by individual staff members with their personal networks. Costs of connecting with and maintaining communication with their support teams are expensed as incurred. Advertising (supporter contact) and promotion expense for the years ended December 31, 2022 and 2021, was \$55,910 and \$61,052, respectively.

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATION

In order to correctly present certificates of deposit with a maturity of greater than ninety days, Entrust reclassified investments that were incorrectly shown as cash and cash equivalents as of December 31, 2021. This reclassification increased investments and decreased cash and cash equivalents by \$451,538 on the statement of financial position as of December 31, 2021.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. Entrust adopted this update for the year ended December 31, 2022. One of Entrust's contracts contains the right to control the use of property and is therefore considered a lease. Entrust elected to adopt the transition relief provisions from ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. Entrust elected to exclude leases with terms of less than twelve months. The effect of the adjustment to the opening balance of net assets totaled \$1,044. As it was deemed immaterial, the net asset difference was adjusted through occupancy on the statements of activities and functional expenses. This amount is reported as a non-cash effect of change in accounting principle on the statements of cash flows. The additional lease disclosures can be found in Note 5.

In the year ended December 31, 2022, Entrust adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021. 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.

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,830,371	\$ 1,902,210
Investments	453,796	451,538
Pledges receivable	-	7,000
Financial assets, at year-end	<u>2,284,167</u>	<u>2,360,748</u>
Less those unavailable for general expenditures within one year, due to:		
Missionary funds not expected to be used within one year	(155,636)	(125,035)
Project funds not expected to be used within one year	-	(45,373)
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 2,128,531</u>	<u>\$ 2,190,340</u>

Entrust has a board-established objective to maintain 120 days of specified operating expenses in reserve to ensure the stability and continuance of its mission, programs, employment, and ongoing operations.

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. The organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 120 days of expected expenditures. To achieve these targets, Entrust monitors its liquidity and cash reserves monthly.

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

4. FIXED ASSETS–NET:

Fixed assets–net consist of:

	December 31, 2022		
	United States	Foreign Countries	Total
Building	\$ -	\$ 84,079	\$ 84,079
Equipment	71,646	51,793	123,439
Leasehold improvements	20,271	-	20,271
Furniture	11,164	-	11,164
	103,081	135,872	238,953
Accumulated depreciation	(84,814)	(51,843)	(136,657)
Fixed assets–net	\$ 18,267	\$ 84,029	\$ 102,296
	December 31, 2021		
	United States	Foreign Countries	Total
Building	\$ -	\$ 40,579	\$ 40,579
Equipment	69,396	51,793	121,189
Leasehold improvements	20,271	-	20,271
Furniture	11,164	-	11,164
	100,831	92,372	193,203
Accumulated depreciation	(72,848)	(41,369)	(114,217)
Fixed assets–net	\$ 27,983	\$ 51,003	\$ 78,986

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.

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

5. OPERATING LEASE—RIGHT OF USE ASSET AND LIABILITY:

Entrust leases an office building under a noncancellable operating lease expiring in 2024. The discount rate represents the risk-free discount rate using a period comparable with that of a similar lease term on the inception date of the lease. The lease requires monthly payments of \$5,073. Total expenses incurred under the operating lease for the year ended December 31, 2022 were \$60,877.

	<u>December 31, 2022</u>
Operating lease—right-of-use asset	\$ 69,265
Operating lease liability	\$ 70,309
Operating lease costs	\$ 59,982
Weighted-average discount rate	1.62%
Weighted-average remaining lease term	1.15

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 60,877
2024	<u>10,146</u>
	71,023
Less: imputed interest	<u>(714)</u>
	<u>\$ 70,309</u>

Operating lease expense prior to the adoption of ASC Topic 842 during the year ended December 31, 2021 totaled \$60,728.

ENTRUST

Notes to Financial Statements

December 31, 2022 and 2021

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2022	2021
Staff support	\$ 1,559,330	\$ 1,541,743
Projects	346,306	478,457
Time-restricted	-	7,000
	<u>\$ 1,905,636</u>	<u>\$ 2,027,200</u>

7. RETIREMENT PLAN:

Entrust has a 403(b) retirement plan that is available to all employees. During the years ended December 31, 2022 and 2021, there were no employer contributions.

8. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 14, 2023, which is the date the financial statements were available to be issued.