

**CRISTOSAL, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**CRISTOSAL, INC.**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**INDEX**

	<b><u>Page</u></b>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-16
Supplementary Information:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18



---

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

STEPHEN N. KLEIN, CPA  
MICHAEL R. MASSA, CPA  
BARRY W. SNYDER, CPA  
LAURA WEBER-CARNEVALE, CPA  
THOMAS H. MARTIN, CPA  
JOHN W. LUTZ, CPA  
BRUCE S. LUDLOW, CPA  
JEANMARIE F. MOORE, CPA  
FRANK G. SWEENEY, CPA  
JOHN BLAKE, CPA  
CHRISTOPHER S. MAYNARD, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Cristosal, Inc.  
Syracuse, New York

We have audited the accompanying financial statements of CRISTOSAL, INC. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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.

### **Opinion**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Cristosal, Inc. as of December 31, 2017 and 2016, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, on our consideration of Cristosal, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cristosal, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cristosal, Inc.'s internal control over financial reporting and compliance.

Klatskin + Company LLP

KLATZKIN & COMPANY<sub>LLP</sub>

Hamilton, New Jersey  
November 12, 2018

**CRISTOSAL, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>ASSETS</b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents.....	\$ 210,677	\$ 109,283
Accounts Receivable (Less Allowance for Doubtful Accounts of \$-0- and \$-0-).....	83,311	3,333
Cash Advances - Employees.....	9,577	8,897
Prepaid Expenses.....	<u>28,772</u>	<u>5,148</u>
<b>Total Current Assets.....</b>	<b>332,337</b>	<b>126,661</b>
<b>Property and Equipment Net of Accumulated</b>		
Depreciation of \$10,495 and \$543.....	<u>74,390</u>	<u>10,075</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 406,727</u></b>	<b><u>\$ 136,736</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable.....	\$ 4,192	\$ 1,303
Payroll Taxes Payable.....	38,424	8,240
Pension Fund Payable.....	5,450	1,950
Deferred Revenue - USAID.....	<u>71,679</u>	<u>-</u>
<b>Total Current Liabilities.....</b>	<b><u>119,745</u></b>	<b><u>11,493</u></b>
<b><u>Net Assets</u></b>		
Unrestricted:		
Board Designated.....	41,300	21,200
Operating.....	<u>245,082</u>	<u>103,443</u>
Total Unrestricted Net Assets.....	286,382	124,643
Temporarily Restricted.....	<u>600</u>	<u>600</u>
<b>Total Net Assets.....</b>	<b><u>286,982</u></b>	<b><u>125,243</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS.....</b>	<b><u>\$ 406,727</u></b>	<b><u>\$ 136,736</u></b>

The accompanying notes are an integral part of these financial statements.

**CRISTOSAL, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2017**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b>Support and Revenues:</b>			
USAID Grant.....	\$ -	\$ 278,687	\$ 278,687
Grants and Contributions.....	414,012	282,406	696,418
Global School.....	97,444	-	97,444
Special Programs.....	-	15,250	15,250
Fundraising.....	-	31,829	31,829
Interest and Dividends.....	7	-	7
Consulting.....	2,400	-	2,400
Miscellaneous.....	5,623	-	5,623
Satisfaction of Program Restrictions.....	<u>608,172</u>	<u>(608,172)</u>	<u>-</u>
<b>Total Support and Revenues.....</b>	<b><u>1,127,658</u></b>	<b><u>-</u></b>	<b><u>1,127,658</u></b>
<b>Expenses:</b>			
Program Services.....	809,616	-	809,616
Support Services:			
Management and General.....	127,913	-	127,913
Fundraising.....	<u>28,390</u>	<u>-</u>	<u>28,390</u>
<b>Total Expenses.....</b>	<b><u>965,919</u></b>	<b><u>-</u></b>	<b><u>965,919</u></b>
<b>Change in Net Assets.....</b>	<b>161,739</b>	<b>-</b>	<b>161,739</b>
<b>Net Assets, Beginning of Year.....</b>	<b><u>124,643</u></b>	<b><u>600</u></b>	<b><u>125,243</u></b>
<b>Net Assets, End of Year.....</b>	<b><u>\$ 286,382</u></b>	<b><u>\$ 600</u></b>	<b><u>\$ 286,982</u></b>

The accompanying notes are an integral part of these financial statements.

**CRISTOSAL, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b>Support and Revenues:</b>			
Grants and Contributions.....	\$ 394,770	\$ 120,930	\$ 515,700
Global School.....	51,960	-	51,960
Special Programs.....	-	70,936	70,936
Interest and Dividends.....	3	-	3
Consulting.....	5,478	-	5,478
Miscellaneous.....	5,741	-	5,741
Satisfaction of Program Restrictions.....	<u>191,866</u>	<u>(191,866)</u>	<u>-</u>
<b>Total Support and Revenues.....</b>	<b><u>649,818</u></b>	<b><u>-</u></b>	<b><u>649,818</u></b>
<b>Expenses:</b>			
Program Services.....	552,886	-	552,886
Support Services:			
Management and General.....	71,457	-	71,457
Fundraising.....	<u>27,800</u>	<u>-</u>	<u>27,800</u>
<b>Total Expenses.....</b>	<b><u>652,143</u></b>	<b><u>-</u></b>	<b><u>652,143</u></b>
<b>Change in Net Assets.....</b>	<b>(2,325)</b>	<b>-</b>	<b>(2,325)</b>
<b>Net Assets, Beginning of Year.....</b>	<b><u>126,968</u></b>	<b><u>600</u></b>	<b><u>127,568</u></b>
<b>Net Assets, End of Year.....</b>	<b><u>\$ 124,643</u></b>	<b><u>\$ 600</u></b>	<b><u>\$ 125,243</u></b>

The accompanying notes are an integral part of these financial statements.

**CRISTOSAL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2017**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Salaries and Wages.....	\$ 406,046	\$ 14,108	\$ 13,491	\$ 433,645
Payroll Taxes.....	3,534	123	118	3,775
Employee Benefits.....	<u>69,923</u>	<u>2,428</u>	<u>2,325</u>	<u>74,676</u>
 Total Compensation and Related Expenses.....	 479,503	 16,659	 15,934	 512,096
 Advertising.....	 1,786	 -	 -	 1,786
Bank Fees.....	-	4,362	-	4,362
Depreciation Expense.....	9,952	-	-	9,952
Family and Individual Support.....	69,128	-	-	69,128
Fundraising.....	-	-	12,456	12,456
Gasoline.....	513	-	-	513
Human Rights and Legal Assistance.....	9,002	-	-	9,002
Miscellaneous.....	-	6,608	-	6,608
Office Expense.....	-	34,309	-	34,309
Professional Fees.....	-	33,852	-	33,852
Program Consultants.....	101,300	-	-	101,300
Rent.....	20,407	20,407	-	40,814
Repairs and Maintenance.....	2,394	2,393	-	4,787
Research.....	18,564	-	-	18,564
Small Office Equipment.....	7,604	7,604	-	15,208
Software.....	553	552	-	1,105
Special Projects Expense.....	29,783	-	-	29,783
Telephone.....	1,167	1,167	-	2,334
Travel.....	47,826	-	-	47,826
Workshops and Seminars.....	<u>10,134</u>	<u>-</u>	<u>-</u>	<u>10,134</u>
 <b>Total Expenses.....</b>	 <b><u>\$ 809,616</u></b>	 <b><u>\$ 127,913</u></b>	 <b><u>\$ 28,390</u></b>	 <b><u>\$ 965,919</u></b>

The accompanying notes are an integral part of these financial statements.



**CRISTOSAL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2016**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Salaries and Wages.....	\$ 138,342	\$ 17,000	\$ 22,450	\$ 177,792
Payroll Taxes.....	4,230	520	687	5,437
Employee Benefits.....	<u>28,727</u>	<u>3,529</u>	<u>4,663</u>	<u>36,919</u>
 Total Compensation and Related Expenses.....	 171,299	 21,049	 27,800	 220,148
 Bank Fees.....	 -	 3,034	 -	 3,034
Depreciation Expense.....	543	-	-	543
Family and Individual Support.....	58,920	-	-	58,920
Gasoline.....	3,340	-	-	3,340
Human Rights and Legal Assistance.....	6,869	-	-	6,869
Miscellaneous.....	-	8,322	-	8,322
Office Expense.....	-	17,171	-	17,171
Professional Fees.....	-	8,512	-	8,512
Program Consultants.....	133,272	-	-	133,272
Promotional Materials.....	212	-	-	212
Rent.....	7,234	7,233	-	14,467
Repairs and Maintenance.....	646	645	-	1,291
Small Office Equipment.....	3,887	3,886	-	7,773
Software.....	544	544	-	1,088
Special Projects Expense.....	98,153	-	-	98,153
Telephone.....	1,061	1,061	-	2,122
Travel.....	31,872	-	-	31,872
Workshops and Seminars.....	<u>35,034</u>	<u>-</u>	<u>-</u>	<u>35,034</u>
 <b>Total Expenses.....</b>	 <b><u>\$ 552,886</u></b>	 <b><u>\$ 71,457</u></b>	 <b><u>\$ 27,800</u></b>	 <b><u>\$ 652,143</u></b>

The accompanying notes are an integral part of these financial statements.

**CRISTOSAL, INC.**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities:</b>		
Cash Collected from Grants and Donors.....	\$ 1,047,673	\$ 646,482
Cash Paid to Suppliers and Employees.....	(871,339)	(645,255)
Interest Income Received.....	7	3
Interest Expense Paid.....	-	-
Income Taxes Paid.....	-	-
	<u>          </u>	<u>          </u>
<b>Net Cash Provided by (Used in)</b>		
<b>Operating Activities.....</b>	<u>176,341</u>	<u>1,230</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property and Equipment.....	(74,267)	(10,618)
Cash Advances to Employees.....	(680)	(8,897)
	<u>          </u>	<u>          </u>
<b>Net Cash Provided by (Used in)</b>		
<b>Investing Activities.....</b>	<u>(74,947)</u>	<u>(19,515)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	101,394	(18,285)
<b>Cash and Cash Equivalents at Beginning of Year.....</b>	<u>109,283</u>	<u>127,568</u>
<b>Cash and Cash Equivalents at End of Year.....</b>	<u>\$ 210,677</u>	<u>\$ 109,283</u>

The accompanying notes are an integral part of these financial statements.

**CRISTOSAL, INC.**

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	<u>2017</u>	<u>2016</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities</b>		
Change in Net Assets.....	\$ 161,739	\$ (2,325)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Depreciation.....	9,952	543
(Increase) Decrease in Operating Assets:		
Accounts Receivable.....	(79,978)	(3,333)
Prepaid Expenses.....	(23,624)	(5,148)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable.....	2,889	1,303
Pension Fund Payable.....	3,500	1,950
Payroll Taxes Payable.....	30,184	8,240
Deferred Revenue - USAID.....	<u>71,679</u>	<u>-</u>
<b>Total Adjustments.....</b>	<u>14,602</u>	<u>3,555</u>
<b>Net Cash Provided by (Used in) Operating Activities.....</b>	<u>\$ 176,341</u>	<u>\$ 1,230</u>

The accompanying notes are an integral part of these financial statements.

**CRISTOSAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 1. Summary of Significant Accounting Policies**

**Organization:**

Cristosal, Inc. (Cristosal) was incorporated in 2000 under the laws of the State of Vermont. Cristosal is a nongovernmental organization based in El Salvador advancing human rights in Central America through rights-based programming, research, and learning.

In October 2017, Cristosal amended its articles of incorporation to change its name from Foundation Cristosal, Inc. to Cristosal, Inc.

**Basis of Financial Statement Presentation:**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Cristosal and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Cristosal and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as satisfaction of program restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Cristosal. Currently, Cristosal has no permanently restricted net assets.

**Management's Use of Estimates and Assumptions:**

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**CRISTOSAL, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Cash and Cash Equivalents:**

Cristosal's cash and cash equivalent accounts and interest bearing deposits in banks and other financial institutions may at times exceed the federally insured limits. Cristosal has not experienced any losses in these accounts. Management believes that Cristosal is not exposed to any significant risk on these deposits.

For purposes of the Statements of Cash Flows, Cristosal considers all highly liquid debt instruments purchased with a maturity of three months or less, except bank certificates of deposit and treasury obligations, to be cash equivalents. Bank CD's and treasury obligations are considered to be temporary investments, not cash equivalents.

**Accounts Receivable:**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance account and a credit to accounts receivable. The majority of receivables are from government agencies and are expected to be collected in full.

**Property, Equipment and Depreciation:**

Property and equipment are stated at cost. The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**Deferred Revenue:**

Deferred revenue consists primarily of grant money received from USAID that has not yet been used. It will be recognized as revenue during the period in which the funds are used, or returned to USAID if unused.

**Compensated Absences:**

Certain employees are entitled to paid vacation and paid sick days. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. Cristosal's policy is to recognize the cost of compensated absences when actually paid to employees.

**CRISTOSAL, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Donated Services:**

During the years ended December 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist Cristosal with special projects.

**Revenue and Support Recognition:**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as satisfaction of program restrictions.

Revenue from fundraising events is recognized when the event occurs.

**Functional Allocation of Expenses:**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Federal Income Tax:**

Cristosal has received a determination letter from the Internal Revenue Service concluding that it is exempt from federal corporate income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

As of and during the years ended December 31, 2017 and 2016, Cristosal did not have a liability for any unrecognized tax benefits. Cristosal's policy is to classify income tax related interest and penalties, if any, in interest expense and miscellaneous expense, respectively.

Cristosal is subject to routine audits by taxing jurisdictions. There are currently no such audits for any tax periods in progress. Cristosal is no longer subject to income tax examinations for years prior to the fiscal year ended December 31, 2014.

**CRISTOSAL, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Advertising Costs:**

Cristosal expenses the cost of advertising as incurred. Advertising costs charged to operations amounted to \$1,786 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

**Recent Accounting Pronouncements:**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change certain aspects of the presentation of Cristosal's financial statements, it is not expected to alter Cristosal's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. Cristosal will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The standard will be effective for annual reporting periods beginning after December 15, 2018.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from ASU 2014-09 regarding its implications on the grants and contracts of not-for-profit organizations. ASU 2018-08 provides guidance to determine if a grant or contract is a contribution or exchange transaction. The standard also provides guidance to help in determining if a contribution is conditional. ASU 2018-08 is effective for fiscal years that start after December 15, 2018. Cristosal is currently evaluating the impact of the pending adoption of ASU 2014-09 and ASU 2018-08 on its financial statements.

**CRISTOSAL, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Recent Accounting Pronouncements (Cont'd):**

In February 2016, the FASB issued ASU 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 Statements of Financial Position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statements of Activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Cristosal is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

**Date of Management Evaluation of Subsequent Events:**

Management has evaluated subsequent events through November 12, 2018, the date on which the financial statements were available to be issued.

**Note 2. Cash Advances - Employees**

Cristosal has advanced to its employees short-term, work-related loans. The loans are unsecured, have no stated maturity date, and bear no interest.

**Note 3. Property and Equipment**

The following is a summary of property and equipment:

	<b><u>Estimated useful lives in years</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Vehicles .....	5	\$ 55,980	\$ -
Furniture and equipment.....	5	3,747	-
Computer equipment .....	5	<u>25,158</u>	<u>10,618</u>
		84,885	10,618
Accumulated depreciation.....		<u>10,495</u>	<u>543</u>
		<u>\$ 74,390</u>	<u>\$ 10,075</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$9,952 and \$543, respectively.



**CRISTOSAL, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 4. Net Assets**

**Board Designated:**

The Board of Directors of Cristosal has chosen to designate a portion of unrestricted net assets for various programs.

Following is a summary of designation of unrestricted net assets:

	<b><u>2017</u></b>	<b><u>2016</u></b>
R. Bower Fund.....	\$ 10,000	\$ 10,000
El Mozote Trial.....	14,500	-
Relocation Fund.....	15,000	10,000
Bishop's Discretionary Fund .....	<u>1,800</u>	<u>1,200</u>
	<b><u>\$ 41,300</u></b>	<b><u>\$ 21,200</u></b>

**Temporarily Restricted:**

In 2015, Cristosal received a temporarily restricted contribution which is available for the following purpose:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Scholarship fund .....	<u>\$ 600</u>	<u>\$ 600</u>

**Note 5. Concentration of Support and Revenues**

Cristosal derived approximately 62% and 79% of its support and revenues from contributions for the years ended December 31, 2017 and 2016, respectively. Cristosal also derived approximately 25% and 1% of its support and revenues from USAID for the years ended December 31, 2017 and 2016, respectively. A significant reduction in the level of this support would have a significant impact on Cristosal's program and activities. The USAID grant runs through November 2019.

**CRISTOSAL, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 6. Pension Plan**

Cristosal participates in a defined contribution retirement plan under Internal Revenue Code Section 403(b). The Plan is administered by the Episcopal Church Lay Employees' Defined Contribution Plan (Plan). Cristosal contributes up to a maximum of 5% of an eligible individual employee's gross wage. Additional discretionary contributions, as determined by management, can also be made to the Plan. Total pension plan expense for the years ended December 31, 2017 and 2016 was \$7,725 and \$6,000, respectively, which is included in employee benefits on the Statements of Functional Expenses.

**Note 7. Leases**

Cristosal leases its office facilities on a year-to-year basis. Rent expense was \$40,814 and \$14,467 for the years ended December 31, 2017 and 2016, respectively.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Cristosal, Inc.  
Syracuse, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cristosal, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cristosal, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cristosal, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cristosal, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Cristosal, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cristosal, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cristosal, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cristosal, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Klatskin + Company LLP*

KLATZKIN & COMPANY<sub>LLP</sub>

Hamilton, New Jersey  
November 12, 2018