



Stitely & Karstetter, PLLC

Certified Public Accountants and Business Advisors

Romanian Christian Enterprises

Financial Statements

December 31, 2022

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Accountants' Review Report

To the Board of Directors
Romanian Christian Enterprises

We have reviewed the accompanying financial statements of Romanian Christian Enterprises (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Romanian Christian Enterprises and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Stitely & Karstetter, PLLC
Chantilly, Virginia
June 19, 2023

Romanian Christian Enterprises

Statement of Financial Position

December 31, 2022

Assets

| | |
|------------------------------------|----------------|
| Cash and cash equivalents | \$ 732,144 |
| Investments | 771,045 |
| Inventories - supplies | 45,318 |
| Due from affiliate | 514,756 |
| Loans receivable | 79,783 |
| Construction in progress | 2,438 |
| Prepaid expenses | 48 |
| Property plant and equipment - net | <u>468,737</u> |

| | |
|--------------|----------------------------|
| Total assets | <u><u>\$ 2,614,269</u></u> |
|--------------|----------------------------|

Liabilities and net assets

Liabilities

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 83,455 |
| Accrued salaries and payroll taxes | <u>64,585</u> |
| Total liabilities | <u>148,040</u> |

Net Assets

| | |
|---|----------------|
| Without donor restrictions | |
| Available for general use | 1,636,542 |
| Board designated for foundation | 20,000 |
| Contingency fund | 340,950 |
| Net investment in property, plant and equipment | <u>468,737</u> |

| | |
|-------------------------------|-----------|
| Total unrestricted net assets | 2,466,229 |
|-------------------------------|-----------|

| | |
|-------------------------|----------|
| With donor restrictions | <u>-</u> |
|-------------------------|----------|

| | |
|------------------|------------------|
| Total net assets | <u>2,466,229</u> |
|------------------|------------------|

| | |
|----------------------------------|----------------------------|
| Total liabilities and net assets | <u><u>\$ 2,614,269</u></u> |
|----------------------------------|----------------------------|

See accountants' review report and notes to financial statements.

Romanian Christian Enterprises

Statement of Activities

For the year ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Support and revenue | | | |
| General contributions | \$ 1,591,488 | \$ (80,000) | \$ 1,511,488 |
| Special events contributions | 252,107 | - | 252,107 |
| Contributed professional services | - | - | - |
| Gifts in kind | 11,727 | - | 11,727 |
| | <hr/> | <hr/> | <hr/> |
| Total contributions | 1,855,322 | (80,000) | 1,775,322 |
| Other income | | - | - |
| Interest and dividends | 5,531 | - | 5,531 |
| Realized gain on investments | 16,493 | - | 16,493 |
| Unrealized gain (loss) on investments | (213,305) | - | (213,305) |
| Foreign currency translation adjustments | (33,431) | - | (33,431) |
| Net assets released from restriction - satisfaction of program restrictions | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenue | 1,630,610 | (80,000) | 1,550,610 |
| | <hr/> | <hr/> | <hr/> |
| Program services | 1,751,269 | - | 1,751,269 |
| | <hr/> | <hr/> | <hr/> |
| Support services | | | |
| Management and general | 48,602 | - | 48,602 |
| Fundraising | 64,797 | - | 64,797 |
| | <hr/> | <hr/> | <hr/> |
| Total support services | 113,399 | - | 113,399 |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 1,864,668 | - | 1,864,668 |
| | <hr/> | <hr/> | <hr/> |
| Change in net assets | (234,058) | (80,000) | (314,058) |
| Net assets, beginning of year | 2,700,287 | 80,000 | 2,780,287 |
| | <hr/> | <hr/> | <hr/> |
| Net assets, end of year | \$ 2,466,229 | \$ - | \$ 2,466,229 |
| | <hr/> | <hr/> | <hr/> |

See accountants' review report and notes to financial statements.

Romanian Christian Enterprises
Statement of Functional Expenses
For the year ended December 31, 2022

| Description | Program Services | Management and General | Fund Raising | Total |
|-----------------------------------|-----------------------------|-----------------------------------|-------------------------|---------------------|
| Compensation and benefits | \$ 970,466 | \$ - | \$ 27,655 | \$ 998,121 |
| Charitable assistance | 465,505 | - | - | 465,505 |
| Operating materials and supplies | 155,851 | - | - | 155,851 |
| Contract services | 48,458 | - | - | 48,458 |
| Utilities | 40,676 | - | 234 | 40,910 |
| Event supplies and newsletter | - | - | 30,117 | 30,117 |
| Travel | 29,068 | - | - | 29,068 |
| Depreciation | - | 28,734 | - | 28,734 |
| Vehicle fuel and maintenance | 17,049 | - | - | 17,049 |
| Bank fees | - | 12,294 | 3,614 | 15,908 |
| Program service expenses - others | 15,396 | - | - | 15,396 |
| Printing and postage | 4,840 | 817 | 1,905 | 7,562 |
| Accounting and legal services | - | 5,550 | - | 5,550 |
| Advertising and marketing | 2,781 | - | - | 2,781 |
| Office supplies | - | 1,047 | 1,272 | 2,319 |
| Lease expense | 1,179 | - | - | 1,179 |
| Dues and subscriptions | - | 160 | - | 160 |
| Total Expenses | \$ 1,751,269 | \$ 48,602 | \$ 64,797 | \$ 1,864,668 |

See accountants' review report and notes to financial statements.

Romanian Christian Enterprises

Statement of Cash Flows

For the year ended December 31, 2022

Cash flows from operating activities

| | |
|---|----------------|
| Change in net assets | \$ (314,058) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | |
| Depreciation expense | 28,734 |
| Net depreciation (appreciation) on investments | 213,305 |
| Change in due from affiliate | 194,850 |
| Change in loans receivable | (3,630) |
| Change in inventories - supplies | (491) |
| Change in construction in progress | 35,408 |
| Change in accounts payable and accrued expenses | (12,149) |
| Change in accrued salaries and payroll taxes | <u>35,535</u> |
| Net cash provided by (used in) operating activities | <u>177,504</u> |

Cash flows from investing activities

| | |
|---|-----------------|
| Purchase of investments | <u>(21,612)</u> |
| Net cash provided by (used in) investing activities | <u>(21,612)</u> |

Net increase in cash and cash equivalents 155,892

Cash and cash equivalents, beginning of year 576,252

Cash and cash equivalents, end of year \$ 732,144

See accountants' review report and notes to financial statements.

Romanian Christian Enterprises

Notes to Financial Statements

December 31, 2022

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Organization

Romanian Christian Enterprises (the Organization) is a Christian, not for profit organization committed to supply both relief of immediate needs for the orphans, the weak, and the oppressed within Romania. It also aims to provide assistance through interest free loans for micro-economic development, health care, and education for the long term strategic recovery of that country's current economic crisis.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

Revenue recognition

The company recognizes revenue using the ASC 606 Revenue Recognition standard, which recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

Cash and cash equivalents have been defined as the balances in the checking, savings and investment accounts both in the U.S. and Europe. The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Certain cash is restricted to use as designated by the Board and is required to be held in a separate account.

The following is the summary of cash and cash equivalents according to use:

| | |
|--|-------------------|
| Funds designated for Romania operating activities and capital improvements | \$ 340,950 |
| Funds reserved for operating activities | <u>391,194</u> |
| Total cash and cash equivalents | <u>\$ 732,144</u> |

Loans receivable

The Organization makes short term loans to numerous individuals in the local area. As of December 31, 2022, management believes all loans receivable are fully collectible, thus, no allowance for bad debts has been recorded.

Property, plant and Equipment

Repairs and maintenance are expensed as incurred. Depreciation is provided on a straight- line basis over an estimated useful life of 5 years for equipment and 39 years for buildings. Donated items are recorded at their estimated fair market value on the date of the gift.

Contributed Services

The Organization receives a substantial amount of services contributed by various volunteers in carrying out its exempt purposes. No amounts have been reflected in the financial statements for those contributed services since these contributed services do not meet the requirements to be recorded under generally accepted accounting principles. Contributed professional services are reflected in the financial statements at the estimated fair market value for those services.

Financial Statement Presentation

Net assets and revenue, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as:

- a) Without Donor Restrictions – those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.
- b) With Donor Restrictions – those resources subject to donor-imposed restrictions that will be satisfied by action of the Organization or by the passage of time.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. No significant contributions of such goods or services were received during the year.

Income taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and generally exempt from federal and state taxes. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporation income taxes. The Organization had no net unrelated business income for the year ended December 31, 2022.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the year ended December 31, 2022. The Organization files tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2019.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

Compensated absences for sick pay, personal time or vacation pay have not been accrued since these costs cannot be reasonably estimated. The Organizations' policy is to recognize these costs when actually paid.

Adoption of New Lease Standard

Effective January 1, 2022, the Company adopted Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842) and subsequent amendments. ASC 842 affects all companies that enter into lease arrangements, with certain exclusions under limited scope limitations. Under ASU 2016-02, an entity recognizes right-of-use assets and lease obligations on its balance sheet for all leases with a lease term of more than 12 months. Short-term rentals under year-to-year leases or remaining lease terms of 12 months or less are exempt from being capitalized.

In adopting the new lease standard, the Company elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, January 1, 2022, in lieu of applying the standard retrospectively to January 1, 2021.

Additionally, as part of the implementation, the Company elected to use a package of optional practical expedients which permit the Company to avoid reassessing previous lease identifications within contracts, the existence of initial direct costs, and the lease classifications of any expired and existing leases. Moreover, in accordance with the expedients, all leases classified as operating leases under previous U.S. GAAP are

automatically classified as operating leases under the new standard, and all leases previously classified as capital leases are recorded as finance leases.

No additional leases were capitalized in 2022.

Lease policies

The new standard requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the Company expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, the Company is not expected to consume a major part of the economic benefits of assets classified as operating leases.

The lease classification affects both the pattern and presentation of expense recognized in the income statement, the categorization of assets and liabilities in the balance sheet, and classification of cash flows in the statement of cash flows.

The company has made a policy election not to capitalize certain short-term leases with a lease term of 12 months or less.

The Company has elected to apply a practical expedient under which it does not separate lease and nonlease components for its real estate leases. Under the election, the Company combines base rents with fixed, nonlease common area maintenance charges and computes its lease obligations based on the combined lease and nonlease components.

Subsequent Events

The Organization has evaluated subsequent events through June 19, 2023, the date the financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

The Organization maintains cash balances in Romania that are uninsured. The Organization also had a cash balance in America in excess of the federally insured limit. The uninsured amounts of cash and cash equivalents as of December 31, 2022 were approximately \$479,977.

Note 3 – Geographic Concentrations

As of December 31, 2022, the Organization's net assets in Romania accounted for 17.55% of the total net assets of the Organization. The operations in Romania are subject to local laws and regulations in Romania.

The assets and operations in Romania are subject to credit risks and other risks and uncertainties associated with the Romanian economy and government. No provision for loss due to this geographic concentration has been recorded.

Note 4 – Property, Plant and Equipment - Net

Property, plant and equipment - net consists of the following:

| | |
|---------------------------------------|-------------------|
| Furniture and equipment in the U.S. | \$ 3,813 |
| Furniture and equipment in Romania | 46,505 |
| Vehicles in Romania | 81,125 |
| Buildings and improvements in Romania | 710,229 |
| Accumulated depreciation in the U.S. | (3,813) |
| Accumulated depreciation in Romania | <u>(369,122)</u> |
| Property, plant and equipment - net | <u>\$ 468,737</u> |

Note 5 – Conditional Promise to Give

Conditional promises are disclosed for information purposes, but have not been recorded in the financial statements. The Organization reported no significant conditional promises as of December 31, 2022.

Note 6 – Foreign Currency Transactions

Revenues were received in Romanian lei in addition to the revenues received in U.S. dollars. The revenues received and expenses paid in foreign currencies were recorded in U.S. dollars on the Organization's books using the exchange rate applicable to the date of the transactions. The Organization's statement of financial position reflects the value in U.S. dollars in foreign currencies using the exchange rates at December 31, 2022. The exchange rate was \$1 = 4.629 Lei at December 31, 2022.

Note 7 – Non Cash Contributions Received

The Organization received gifts in kind with an estimated fair value of \$11,727 during 2022. These gifts included Christmas gifts for the children, food, used clothing, and school supplies.

Note 8 – Due from Affiliate

In 2021, Sunshine School (Raza de Soare) which was a project of the Organization became a separate entity under Romanian laws. It is now a fully certified/accredited Romanian school and eligible to receive funds from Romanian Education Funds like any other school in Romania. Prior to 2021, transactions related to Sunshine School were reported as part of the Organization's financial statements but beginning in 2021, those transactions were separated from the Organization's books and due from affiliate was recognized. As of December 31, 2022, the due from affiliate amounts to \$514,756.

Note 9 – Investments

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position. The Organization's investments account are generally categorized as restricted fund that cannot be released without Board approval and is not available for ongoing operating activities.

The Organization's investment securities have been classified as available-for-sale are recorded at fair market value (FMV). Current year unrealized gains and losses arising from the recognition of the fair value of available-for-sale securities are included in the statement of activities. Level 1 securities have readily determinable fair values based on prices published in national exchanges. Level 2 assets are valued based on prices for similar securities traded on national markets. Level 3 assets have no readily determinable fair market values. They are valued based on pricing models developed by management. The following table present assets measured at fair value on a recurring basis at December 31, 2021:

| Type of security | Fair value | | | Total Assets at FMV |
|-------------------------|-------------------|----------------|----------------|----------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Equity securities | \$ 771,045 | - | - | \$ 771,045 |
| | \$ 771,045 | - | - | \$ 771,045 |

| Type of security | Cost | Fair Value | Cumulative Unrealized Appreciation |
|-------------------------|-------------|-------------------|---|
| | | | (Depreciation) |
| Equity securities | \$ 984,350 | \$ 771,045 | (\$ 213,305) |
| | \$ 984,350 | \$ 771,045 | (\$ 213,305) |