

**Causa Local Corporation**  
(a not-for-profit Puerto Rico Corporation)

***Audited Financial Statements***  
December 31, 2021

# Albin Eberwein, CPA

Certified Public Accountant



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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Causa Local Corporation:

### Report on the Audit of the Financial Statements Opinion

We have audited the accompanying financial statements of Causa Local Corporation (the “Entity”), which comprise the statement of financial position as of December 31, 2021, the related statements of revenue expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of the Entity as of December 31, 2021, and the related statements of income, statement of changes in member’s capital and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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

The Entity’s 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, 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 the Entity’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor’s 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 auditor’s 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 GAAS 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.

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Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, I:

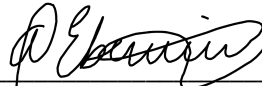
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 the Entity'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 the Entity'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.

San Juan, Puerto Rico  
December 9, 2022

Stamp # E493765  
Has been affixed to the  
original of this report.



  
Albin Eberwein, CPA  
Licence # 6905  
Expires December 1, 2024

**CAUSA LOCAL CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

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	<u>Total Funds</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2021</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 21,837	\$ -	\$ 21,837
Other receivable	4,277	-	4,277
Total current assets	<u>26,114</u>	<u>-</u>	<u>26,114</u>
Total assets	<u>\$ 26,114</u>	<u>\$ -</u>	<u>\$ 26,114</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	184	-	184
Due to officer	16,550	-	16,550
Income tax payable	8,308	-	8,308
Total liabilities	<u>25,042</u>	<u>-</u>	<u>25,042</u>
<b>NET ASSETS</b>			
Net Assets without Donor Restrictions	<u>1,072</u>	<u>-</u>	<u>1,072</u>
Total net assets	<u>1,072</u>	<u>-</u>	<u>1,072</u>
Total liabilities and net assets	<u>\$ 26,114</u>	<u>\$ -</u>	<u>\$ 26,114</u>

See accompanying notes to the financial statements

**CAUSA LOCAL CORPORATION**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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	<u>Total Funds</u>		<u>2021</u>
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	
REVENUES			
Foundations and Trust Grants	\$ 100,000	\$ -	\$ 100,000
Donations - Corporate and Individuals	14,844	-	14,844
Business development service	42,779	-	42,779
Total revenues	157,623	-	157,623
NET ASSETS RELEASE FROM RESTRICTED FUND	-	-	-
EXPENSES			
Salaries and wages	118,250	-	118,250
Payroll taxes	9,528	-	9,528
Program fee	20,060	-	20,060
Professional service	8,684	-	8,684
Fundraising	7,528	-	7,528
Medical Health Insurance	1,974	-	1,974
Marketing and publishing	1,015	-	1,015
Bank Service Charge	363	-	363
Income Tax Expense	500	-	500
Total expenses	167,902	-	167,902
Changes in net assets	\$ (10,279)	\$ -	\$ (10,279)
Net assets, at beginning of year	11,351	-	11,351
Net assets, at end of year	\$ 1,072	\$ -	\$ 1,072

See accompanying notes to the financial statements

**CAUSA LOCAL CORPORATION**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
CHANGES IN NET ASSETS	<u>\$ (10,279)</u>
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:	
Changes in assets and liabilities	
(Increase) decrease in:	
Contributions receivable	20,000
Increase (decrease) in:	
Accounts payable and accrued liabilities	(23,998)
Income tax payable	8,308
Total adjustments	<u>4,310</u>
Net cash used in operating activities	<u>(5,969)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Officer	<u>16,550</u>
Net cash provided by investing activities	<u>16,550</u>
 NET INCREASE IN CASH	10,581
 CASH AND CASH EQUIVALENTS, beginning of year	11,256
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 21,837</u>

See accompanying notes to the financial statements

**CAUSA LOCAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. REPORTING ENTITY**

Causa Local Corporation (the “Entity”) was organized under the laws of the Commonwealth of Puerto Rico on July 30, 2018 as a non-for-profit Corporation. Causa Local is a 501(c)(3) entity that provides non-traditional access to capital and business development through its model to trustworthy, talented, socially- and environmentally-conscious small businesses in Puerto Rico to support their growth and resiliency.

The Entity supports all phases of the business, from strategic planning to acquiring finance and to marketing, exporting, and publicity. Our one-on-one business development services allow us to dedicate individual attention and hand-holding to identify and support proven talented local entrepreneurs and guide them in their business journey, while creating long-term relationships that secure very high repayment rates for our non-traditional crowd-lending financial services that democratize local access to capital. We are convinced this is exactly what Puerto Rico needs in order for its local economy to flourish in a sustainable way.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Contributions** - Unconditional contributions are recognized when pledge and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**CAUSA LOCAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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 restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

The Entity manages and represent the following programs in Puerto Rico Market:

- KIVA is an international nonprofit company, with a mission to expand financial access to help underserved communities thrive. The program works with crowdfunding loans and unlocking capital, improving the quality and cost of financial services, and addressing the underlying barriers to financial access around the world. Through Kiva's work, students can pay for tuition, women can start businesses, farmers are able to invest in equipment and families can afford needed emergency care. 100% of every dollar people lend on Kiva goes to funding loans.
- Business Development is a program where the Entity supports growth of local small and medium enterprises with funding, strategic plan, technical consulting, implementing innovative services, providing greater visibility and promotion to companies' products or services, and networking events.

Entity's contributions are mainly derived from foundation grants, companies and individual contributions.

**Property, plant and equipment** - Property, plant and equipment acquired by the organization are stated at cost less accumulated depreciation. Donations of property, plant and equipment are recorded at their estimated fair value at the date of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the individual assets. Cost of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Costs of renewals and betterments are capitalized. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

**Impairment of Long Lived Assets** - The Organization fixed assets are reviewed for impairment in accordance with FASB authoritative guidance for *Impairment or Disposal of Long Lived Assets*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, an estimate of the future cash flows expected to result from the use of the asset and its eventual disposition must be made. If the sum of the future cash flows



**CAUSA LOCAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the difference, if any, between the fair value and the carrying value of the asset. There were no such impairment losses during the year ended December 31, 2021.

**Cash and cash equivalents** - The Entity considered cash and cash equivalent balance in regular, checking or flexible bank account, cash on hand or petty cash as of December 31, 2021.

**Use of Estimates** - 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** - The Company accounts for income taxes using an asset-liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or tax returns. Deferred tax assets and liabilities are attributable primarily to temporary differences resulting from items of revenues and expenses, which are reported for tax purposes in a different year than for financial statements purposes. In assessing the realizability of the deferred tax assets, the Company considers whether it is more likely than not that the deferred assets will be realized and establishes a valuation allowance when deemed necessary.

The Entity is currently seeking to obtain the corporate income tax exemption by the treasury department of Puerto Rico under section 1101.01 of the Puerto Rico internal revenue code of 2011, as amended. Currently the Entity is exempt from federal income tax under Internal Revenue Code (IRC) section 501 (c) (3).

**Recent Accounting Standards Updates**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit (Topic 958)- Presentation of Financial statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses by both nature and function and investment return. The amendments in this update are effective for annual financial statements issued for fiscal year beginning after December 15, 2017. The Organization adopted these changes as of September 30, 2019.

The FASB issued other accounting standards updates that were not relevant to the Organization operations.

**CAUSA LOCAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. FUNCTIONAL EXPENSE CLASSIFICATION**

Operational expenses are assigned to programs or functions of the Organization which directly benefit young parents are classified as program services and those expenses which are not directly related to these programs are classified as general and administrative. Certain costs have been allocated among program services and general and administrative services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and wages	Estimate of time and Efforts
Payroll taxes	Estimate of time and Efforts
Professional services	Full Time Equivalent
Program Fee	Full Time Equivalent
Fundraising	Full Time Equivalent
Medical Health Insurance	Estimate of time and Efforts
Marketing and publishing	Estimate of time and Efforts
Other Expenses	Full Time Equivalent

Functional expense classification for the organization is as follow:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
EXPENSES			
Salaries and wages	65,038	53,213	118,250
Payroll taxes	5,240	4,288	9,528
Program fee	20,060	-	20,060
Professional service	3,828	4,856	8,684
Fundraising	7,528	-	7,528
Medical Health Insurance	1,086	888	1,974
Marketing and publishing	1,015	-	1,015
Bank Service Charge	-	363	363
Income Tax Expense	-	500	500
Total expenses	<u>\$ 103,795</u>	<u>\$ 64,107</u>	<u>\$ 167,902</u>

**CAUSA LOCAL CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**4. COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization (WHO) declared a coronavirus disease 2019 (COVID19) outbreak to be a Public Health Emergency International Concern which, effective March 11, 2020, was recognized as a pandemic, based on the rapid increase in exposure globally.

As a preventive measure, on March 15, 2020 the Governor of Puerto Rico imposed a lockdown that was extended until 2021. This pandemic has led to severe economic global disruption. The full impact of the Covid-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the financial condition, liquidity, and future income results of the individual.

**5. LIQUIDITY**

The Organization has \$26,114 of financial current assets available for use within 1 year from the balance sheet date, to cover their liabilities and general operational expenses. As of December 31, 2021, there were no amounts subject to donor restrictions or other contractual time restrictions. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**6. RISK CONCENTRATIONS**

The Organization maintains cash in bank deposits accounts in Puerto Rico which at times may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash. As of December 31, 2021, the Organization had cash deposits of \$21,837 that were within the limits insured by the FDIC.

**7. SUBSEQUENT EVENTS**

The Company evaluated subsequent events through December 9, 2022, the date the financial statements were available to be issued. There were no additional subsequent events considered material that would require any further disclosure to the Company's financial statement.