

# Enactus

Financial Report  
December 31, 2022

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## **Independent Auditor's Report**

Board of Directors  
Enactus

### **Opinion**

We have audited the financial statements of Enactus (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, cash flows and expenses by function for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 (GAAS). Our 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 Organization 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 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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. Misstatements 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 GAAS, 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 the Organization'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 Organization'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.

*RSM US LLP*

Kansas City, Missouri  
May 22, 2023

**Enactus**

**Statements of Financial Position  
December 31, 2022 and 2021**

|  | 2022                | 2021                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash and cash equivalents  | \$ 164,335          | \$ 1,783,088        |
| Accrued interest and other receivables   | 341,129             | 276,029             |
| Prepaid expenses   | 191,599             | 166,708             |
| Investments  | 910,263             | 1,018,559           |
| Contributions receivable, net of allowance and discount;<br>\$56,483—2022 and \$107,478—2021 | 82,312              | 1,094,624           |
| Property and equipment, net  | 33,496              | 66,951              |
| Other  | 166,770             | 234,049             |
| <b>Total assets</b>  | <b>\$ 1,889,904</b> | <b>\$ 4,640,008</b> |
| <b>Liabilities and Net Assets</b>  |                     |                     |
| Liabilities:   |                     |                     |
| Accounts payable   | \$ 303,715          | \$ 232,214          |
| Funds held for affiliates  | 1,007,350           | 1,190,405           |
| Accrued expenses   | 109,641             | 173,557             |
| <b>Total liabilities</b>   | <b>1,420,706</b>    | <b>1,596,176</b>    |
| Net assets (deficit):  |                     |                     |
| Without donor restrictions   | (1,994,240)         | (1,508,980)         |
| With donor restrictions  | 2,463,438           | 4,552,812           |
| <b>Total net assets</b>  | <b>469,198</b>      | <b>3,043,832</b>    |
| <b>Total liabilities and net assets</b>  | <b>\$ 1,889,904</b> | <b>\$ 4,640,008</b> |

See notes to financial statements.

**Enactus**

**Statement of Activities  
Year Ended December 31, 2022**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total              |
|--|-------------------------------|----------------------------|--------------------|
| Revenues, gains and other support:             |                               |                            |                    |
| Contributions                                  | \$ 1,577,875                  | \$ 1,168,096               | \$ 2,745,971       |
| In-kind contributions                          | 70,000                        | -                          | 70,000             |
| Investment loss                                | -                             | (152,982)                  | (152,982)          |
| Other losses                                   | (50,738)                      | -                          | (50,738)           |
| Net assets released from restrictions          | 3,104,488                     | (3,104,488)                | -                  |
| <b>Total revenues, gains and other support</b> | <b>4,701,625</b>              | <b>(2,089,374)</b>         | <b>2,612,251</b>   |
| Expenses and losses:                           |                               |                            |                    |
| Program services                               | 4,333,607                     | -                          | 4,333,607          |
| Management and general                         | 225,557                       | -                          | 225,557            |
| Fundraising                                    | 627,721                       | -                          | 627,721            |
| <b>Total expenses and losses</b>               | <b>5,186,885</b>              | <b>-</b>                   | <b>5,186,885</b>   |
| <b>Change in net assets</b>                    | <b>(485,260)</b>              | <b>(2,089,374)</b>         | <b>(2,574,634)</b> |
| Net assets (deficit), beginning of year        | (1,508,980)                   | 4,552,812                  | 3,043,832          |
| Net assets (deficit), end of year              | <u>\$ (1,994,240)</u>         | <u>\$ 2,463,438</u>        | <u>\$ 469,198</u>  |

See notes to financial statements.

**Enactus**

**Statement of Activities**  
**Year Ended December 31, 2021**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--|-------------------------------|----------------------------|---------------------|
| Revenues, gains and other support:             |                               |                            |                     |
| Contributions                                  | \$ 1,622,381                  | \$ 3,777,012               | \$ 5,399,393        |
| In-kind contributions                          | 70,000                        | -                          | 70,000              |
| Investment return                              | -                             | 166,400                    | 166,400             |
| Gain on forgiveness of debt                    | 661,000                       | -                          | 661,000             |
| Other  | 359,866                       | -                          | 359,866             |
| Net assets released from restrictions          | 2,858,947                     | (2,858,947)                | -                   |
| <b>Total revenues, gains and other support</b> | <b>5,572,194</b>              | <b>1,084,465</b>           | <b>6,656,659</b>    |
| Expenses and losses:                           |                               |                            |                     |
| Program services                               | 4,348,633                     | -                          | 4,348,633           |
| Management and general                         | 244,873                       | -                          | 244,873             |
| Fundraising                                    | 811,861                       | -                          | 811,861             |
| <b>Total expenses and losses</b>               | <b>5,405,367</b>              | <b>-</b>                   | <b>5,405,367</b>    |
| <b>Change in net assets</b>                    | <b>166,827</b>                | <b>1,084,465</b>           | <b>1,251,292</b>    |
| Net assets (deficit), beginning of year        | (1,675,807)                   | 3,468,347                  | 1,792,540           |
| Net assets (deficit), end of year              | <u>\$ (1,508,980)</u>         | <u>\$ 4,552,812</u>        | <u>\$ 3,043,832</u> |

See notes to financial statements.

# Enactus

## Statements of Cash Flows Years Ended December 31, 2022 and 2021

|  | 2022                     | 2021                       |
|--|--------------------------|----------------------------|
| Cash flows from operating activities:                      |                          |                            |
| Change in net assets                                       | \$ (2,574,634)           | \$ 1,251,292               |
| Items not requiring (providing) cash:                      |                          |                            |
| Depreciation   | 38,110                   | 43,643                     |
| Gain on forgiveness of debt                                | -                        | (661,000)                  |
| Net loss (gain) on investments                             | 161,021                  | (156,391)                  |
| (Gain) loss on disposition of property and equipment       | (3,926)                  | 24,966                     |
| Changes in:  |                          |                            |
| Accrued interest and other receivables                     | (65,100)                 | (222,902)                  |
| Prepaid expenses   | (24,891)                 | (118,401)                  |
| Contributions receivable                                   | 1,012,312                | (517,398)                  |
| Other assets   | 67,279                   | (51,238)                   |
| Accounts payable and accrued expenses                      | 7,585                    | 41,785                     |
| Funds held for affiliates                                  | (183,055)                | 133,070                    |
| <b>Net cash used in operating activities</b>               | <b>(1,565,299)</b>       | <b>(232,574)</b>           |
| Cash flows from investing activities:                      |                          |                            |
| Proceeds from sale of property and equipment               | 3,929                    | 616                        |
| Purchase of property and equipment                         | (4,658)                  | (1,902)                    |
| Purchase of investments                                    | (52,725)                 | -                          |
| Proceeds from sale of investments                          | -                        | 31,080                     |
| <b>Net cash (used in) provided by investing activities</b> | <b>(53,454)</b>          | <b>29,794</b>              |
| Cash flows from financing activities:                      |                          |                            |
| Proceeds from borrowings on long-term debt                 | -                        | 661,000                    |
| <b>Net cash provided by financing activities</b>           | <b>-</b>                 | <b>661,000</b>             |
| <b>(Decrease) increase in cash and cash equivalents</b>    | <b>(1,618,753)</b>       | <b>458,220</b>             |
| Cash and cash equivalents, beginning of year               | 1,783,088                | 1,324,868                  |
| Cash and cash equivalents, end of year                     | <u><u>\$ 164,335</u></u> | <u><u>\$ 1,783,088</u></u> |
| Supplemental disclosures of cash flow information:         |                          |                            |
| Interest paid  | <u><u>\$ 16,827</u></u>  | <u><u>\$ 28,497</u></u>    |
| Gain on forgiveness of Paycheck Protection Program Loan    | <u><u>\$ -</u></u>       | <u><u>\$ 661,000</u></u>   |

See notes to financial statements.



**Enactus**

**Statement of Expenses by Function  
Year Ended December 31, 2022**

|   | <b>Program<br/>Services</b> | <b>Management<br/>and General<br/>Expenses</b> | <b>Fundraising<br/>Expenses</b> | <b>Total<br/>Expenses</b> |
|---|-----------------------------|--|---------------------------------|---------------------------|
| Grants and other assistance             | \$ 530,187                  | \$ -   | \$ -                            | \$ 530,187                |
| Director and key employee compensation  | 271,962                     | 103,105  | 429,258                         | 804,325                   |
| Other salaries and wages                | 1,895,090                   | 64,558   | 46,743                          | 2,006,391                 |
| Pension plan accruals and contributions | 65,580                      | 1,309  | 2,781                           | 69,670                    |
| Other employee benefits                 | 169,641                     | 3,591  | 11,100                          | 184,332                   |
| Payroll taxes                           | 158,606                     | 7,750  | 22,895                          | 189,251                   |
| Legal                                   | 11,878                      | 14   | 5,535                           | 17,427                    |
| Accounting                              | 31,537                      | 9,676  | 11,595                          | 52,808                    |
| Other                                   | 4,903                       | 18   | 1,549                           | 6,470                     |
| Advertising and promotion               | 88,297                      | -  | -                               | 88,297                    |
| Office expenses                         | 24,526                      | 1,146  | 3,167                           | 28,839                    |
| Information technology                  | 314,771                     | 18,088   | 45,290                          | 378,149                   |
| Occupancy                               | 62,872                      | 3,091  | 8,637                           | 74,600                    |
| Travel                                  | 210,968                     | 5,236  | 11,913                          | 228,117                   |
| Conferences, conventions and meetings   | 348,003                     | -  | 3,772                           | 351,775                   |
| Interest                                | 14,067                      | 729  | 2,031                           | 16,827                    |
| Depreciation and depletion              | 31,860                      | 1,650  | 4,600                           | 38,110                    |
| Insurance                               | 43,536                      | 1,583  | 4,417                           | 49,536                    |
| Bad debt                                | 30,766                      | 1,894  | 5,281                           | 37,941                    |
| Printing and publications               | 15,314                      | 440  | 1,635                           | 17,389                    |
| Employee development                    | 13,169                      | 1,679  | 5,522                           | 20,370                    |
| Gain on disposition of fixed assets     | (3,926)                     | -  | -                               | (3,926)                   |
| <b>Total expenses</b>                   | <b>\$ 4,333,607</b>         | <b>\$ 225,557</b>                              | <b>\$ 627,721</b>               | <b>\$ 5,186,885</b>       |

See notes to financial statements.

**Enactus**

**Statement of Expenses by Function  
Year Ended December 31, 2021**

|   | Program<br>Services | Management<br>and General<br>Expenses | Fundraising<br>Expenses | Total<br>Expenses   |
|---|---------------------|---------------------------------------|-------------------------|---------------------|
| Grants and other assistance             | \$ 373,870          | \$ -                                  | \$ -                    | \$ 373,870          |
| Director and key employee compensation  | 656,189             | 121,304                               | 494,266                 | 1,271,759           |
| Other salaries and wages                | 1,582,687           | 43,912                                | 132,998                 | 1,759,597           |
| Pension plan accruals and contributions | 57,759              | 2,118                                 | 3,674                   | 63,551              |
| Other employee benefits                 | 121,123             | 6,750                                 | 21,035                  | 148,908             |
| Payroll taxes                           | 143,599             | 10,081                                | 36,952                  | 190,632             |
| Legal                                   | 6,904               | 260                                   | 6,379                   | 13,543              |
| Accounting                              | 56,428              | 28,091                                | 35,101                  | 119,620             |
| Other                                   | 52,108              | 18,024                                | 35,559                  | 105,691             |
| Advertising and promotion               | 87,403              | -                                     | 153                     | 87,556              |
| Office expenses                         | 33,080              | 1,601                                 | 4,974                   | 39,655              |
| Information technology                  | 464,426             | 5,059                                 | 14,849                  | 484,334             |
| Royalties                               | 60,259              | -                                     | -                       | 60,259              |
| Occupancy                               | 54,423              | 2,120                                 | 10,168                  | 66,711              |
| Travel                                  | 40,596              | 1,988                                 | 4,360                   | 46,944              |
| Conferences, conventions and meetings   | 453,681             | 735                                   | 2,249                   | 456,665             |
| Interest                                | 23,180              | 946                                   | 4,371                   | 28,497              |
| Depreciation and depletion              | 41,378              | 675                                   | 1,590                   | 43,643              |
| Insurance                               | 47,492              | 1,844                                 | 8,587                   | 57,923              |
| Bad debt (recovery)                     | (53,612)            | (2,567)                               | (11,859)                | (68,038)            |
| Printing and publications               | 7,264               | 1,074                                 | 2,531                   | 10,869              |
| Taxes (refunds)                         | (2,164)             | (88)                                  | (408)                   | (2,660)             |
| Employee development                    | 15,594              | 946                                   | 4,332                   | 20,872              |
| Loss on disposition of fixed assets     | 24,966              | -                                     | -                       | 24,966              |
| <b>Total expenses</b>                   | <b>\$ 4,348,633</b> | <b>\$ 244,873</b>                     | <b>\$ 811,861</b>       | <b>\$ 5,405,367</b> |

See notes to financial statements.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of operations:** Enactus (the Organization) is an international nonprofit organization that brings together student, academic and business leaders who are committed to using the power of entrepreneurial action to enable progress around the world. Guided by faculty advisors and business experts, participating students form teams on their campuses to create and implement community projects that empower people to improve their quality of life and standard of living. The experience not only transforms lives, but it also helps students develop the kind of talent and perspective that are essential to becoming effective, values-driven leaders. An annual series of regional and national competitions provides a forum for teams to showcase the impact of their outreach efforts and to be evaluated by executives serving as judges. National champion teams advance to the prestigious World Cup. In addition to the community aspect of the program, special leadership and career initiatives create meaningful opportunities for cross-generational learning and exchange as well as the placement of students and alumni with companies in search of emerging talent. The Organization's revenues and other support are derived through corporate and organizational partners, foundations, government agencies and individual donors. Originally founded in 1975 as Students In Free Enterprise, the Organization officially changed its name to Enactus in October 2012.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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, support, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Basis of presentation:** The Organization presents its financial statements based on Accounting Standards Codification (ASC) Topic 958, Presentation of Financial Statements.

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

**Net assets without donor restrictions:** Net assets are not subject to donor-imposed restrictions but may be subject to board designations.

**Net assets with donor restrictions:** Net assets are subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets and are being recognized prospectively.

**Cash and cash equivalents:** The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, a portion of the Organization's cash equivalents consisted of money market funds held by a broker, which are not Federal Deposit Insurance Corporation (FDIC)-insured.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)**

The Organization maintains accounts at banks whose balances at various times through the year may exceed federally insured limits. Management monitors the accounts to minimize risk of loss and the Organization has not experienced any losses in such accounts.

**Investments and investment return (loss):** Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at fair value. Investment return (loss) includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as net assets without donor restrictions or net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

**Property and equipment:** Property and equipment is stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

|                                   |           |
|-----------------------------------|-----------|
| Furniture, fixtures and equipment | 3-7 years |
|-----------------------------------|-----------|

**Contributions:** Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the barriers are substantially overcome and the gift becomes unconditional.

**In-kind contributions:** In addition to receiving cash contributions, the Organization receives in-kind contributions of event facilities, professional services, office supplies and other miscellaneous items from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For each of the years ended December 31, 2022 and 2021, \$70,000 of in-kind contributions were received.

**Grants:** Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays could be subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**Income taxes:** The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization follows the standard for evaluation of uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2019.

**Functional allocation of expenses:** The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Costs incurred at the Organization are allocated among the program, management and general, and fundraising categories, based on the nature of the expense.

**Reclassifications:** For the year ended December 31, 2021, certain amounts on the statement of expenses by function were reclassified, with no impact on the total expenses, to be consistent with the current-year presentation.

**Recent accounting pronouncements:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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 statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted the guidance as of January 1, 2022. The Organization does not have any material leases that are impacted by this new standard. Therefore, the adoption of this standard had no impact on the Organization's financial statements.

## Enactus

### Notes to Financial Statements

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#### Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity to meet its annual operating needs and other commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2022 and 2021, the following financial assets are available to meet annual operating needs of the upcoming fiscal year:

|   | 2022         | 2021         |
|---|--------------|--------------|
| Assets at year-end:   |              |              |
| Cash and cash equivalents   | \$ 164,335   | \$ 1,783,088 |
| Accrued interest and other receivables                                  | 341,129      | 276,029      |
| Prepaid expenses  | 191,599      | 166,708      |
| Investments   | 910,263      | 1,018,559    |
| Contributions receivable, net   | 82,312       | 1,094,624    |
| Property and equipment, net   | 33,496       | 66,951       |
| Other   | 166,770      | 234,049      |
| Total assets  | 1,889,904    | 4,640,008    |
| Less amounts not available to be used within one year:                  |              |              |
| Funds held for affiliates   | 1,007,350    | 1,190,405    |
| Donor-restricted funds  | 1,574,834    | 1,574,834    |
| Contributions receivable due after one year, net of discount            | -            | 38,369       |
| Property and equipment, net   | 33,496       | 66,951       |
| Other   | 166,770      | 234,049      |
| Assets not available to be used within one year                         | 2,782,450    | 3,104,608    |
| Financial assets available to meet general expenditures within one year | \$ (892,546) | \$ 1,535,400 |

At December 31, 2022, the Organization consumed a portion of the funds held for affiliates assets on general operations and therefore will defer certain payments to affiliates. In early 2023 the Organization redeemed the investment assets to help fund operations.

In response, in 2023 the Organization made significant general operating expense reductions, including but not limited to pay deferrals for the management team, non-renewal of the office lease, and a reduction in force. The Organization is continually improving its costing process to ensure all programs receive adequate funds to operate and absorb an appropriate portion of general operating expenditures.

Additionally, in 2023 the Organization made significant changes to the fundraising team and implemented fundraising best practices in order to diversify its funding streams. The Organization anticipates collecting sufficient revenue in 2023 to cover general expenses, pay funds held for affiliates and reinvest the investments redeemed.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 7 for information about the Organization's line of credit.

## Enactus

### Notes to Financial Statements

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#### Note 3. Investments and Investment Return (Loss)

Investments at December 31, 2022 and 2021, consist of the following:

|                               | 2022              | 2021                |
|-------------------------------|-------------------|---------------------|
| Government agency obligations | \$ 172,278        | \$ 10,173           |
| Corporate debt securities     | 72,240            | 177,457             |
| Mutual funds                  | 665,745           | 830,929             |
|                               | <u>\$ 910,263</u> | <u>\$ 1,018,559</u> |

Total investment (loss) and return consists of the following for the years ended December 31, 2022 and 2021:

|  | 2022                | 2021              |
|--|---------------------|-------------------|
| Interest and dividend income, net of fees  | \$ 8,039            | \$ 10,009         |
| Net realized and unrealized (losses) gains on investments reported at fair value | (161,021)           | 156,391           |
|  | <u>\$ (152,982)</u> | <u>\$ 166,400</u> |

The Organization incurred investment expenses of \$5,207 and \$4,040 during the years ended December 31, 2022 and 2021, respectively.

#### Note 4. Contributions Receivable

Contributions receivable consist of the following at December 31, 2022 and 2021:

|   | 2022             | 2021                |
|---|------------------|---------------------|
| Due within one year                       | \$ 138,795       | \$ 1,162,102        |
| Due in one to three years                 | -                | 40,000              |
|   | <u>138,795</u>   | <u>1,202,102</u>    |
| Less:                                     |                  |                     |
| Allowance for uncollectible contributions | 56,483           | 105,847             |
| Unamortized discount                      | -                | 1,631               |
|   | <u>\$ 82,312</u> | <u>\$ 1,094,624</u> |

Contributions receivable are classified without donor restrictions if the contribution supports current-year events or operations and are classified with donor restrictions if the contribution supports events or operations in future years. The Organization did not have any long-term receivables as of December 31, 2022. The Organization utilized a discount rate of 4.25% for 2021.

## Enactus

### Notes to Financial Statements

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#### Note 5. Property and Equipment

Property and equipment at December 31, 2022 and 2021, consist of the following:

|                                   | 2022             | 2021             |
|-----------------------------------|------------------|------------------|
| Equipment, furniture and fixtures | \$ 315,300       | \$ 343,923       |
| Less accumulated depreciation     | (281,804)        | (276,972)        |
|                                   | <u>\$ 33,496</u> | <u>\$ 66,951</u> |

#### Note 6. Funds Held for Affiliates

The Organization raises funds on behalf of unconsolidated international affiliates. When contributions are received, an asset and a corresponding liability are recorded, with no effect on overall net assets. Upon disbursement, the asset and liability are reduced. At December 31, 2022 and 2021, the Organization held funds totaling \$1,007,350 and \$1,190,405, respectively, for various international affiliates.

#### Note 7. Line of Credit

The Organization has a revolving line of credit with a bank. Borrowing capacity is limited to a maximum of \$500,000. The line of credit bears interest at the prime rate with a minimum rate of 4.25% and a maximum rate of no more than allowed under applicable law and expires on July 27, 2023. The interest rate was 8.00% on December 31, 2022, and interest is payable monthly. The line of credit is collateralized by all business assets of the Organization. At December 31, 2022 and 2021, there were no balances borrowed against this line of credit.

#### Note 8. Net Assets

**Net assets with donor restrictions:** Net assets with donor restrictions at December 31, 2022 and 2021, are available for the following purposes:

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Enactus HQ and USA programs   | \$ 888,604          | \$ 2,977,978        |
| Investment in perpetuity, the income of which is expendable to support: |                     |                     |
| Sam M. Walton Free Enterprise Fellow                                    | 978,000             | 978,000             |
| Jules and Gwen Knapp Scholarship  | 350,000             | 350,000             |
| Jack Kahl/Sam M. Walton Free Enterprise Fellow of the Year              | 110,000             | 110,000             |
| Rohrs Scholarship Endowment Fund  | 74,203              | 74,203              |
| Jack Shewmaker Spirit of SIFE Award Fund                                | 62,631              | 62,631              |
|   | <u>\$ 2,463,438</u> | <u>\$ 4,552,812</u> |

**Net assets released from restrictions:** Net assets were released from donor restrictions by incurring expenses satisfying the Enactus HQ and USA programs for which the funds were restricted for as specified by donors. Total net assets released from restrictions were \$3,104,488 and \$2,858,947 for the years ended December 31, 2022 and 2021, respectively.



## Enactus

### Notes to Financial Statements

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#### Note 9. Defined Contribution Plan

The Organization has a defined contribution plan covering substantially all employees. Employer contributions are 3% of wages and then up to an additional 3% match of employee contributions. For the years ended December 31, 2022 and 2021, contribution expense was \$109,554 and \$112,991, respectively.

#### Note 10. Endowment

The Organization's endowment consists of five individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (held in perpetuity) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

The composition of net assets by type of endowment fund at December 31, 2022, was as follows:

|                                  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total        |
|----------------------------------|----------------------------------|-------------------------------|--------------|
| Donor-restricted endowment funds | \$ 367,986                       | \$ 1,574,834                  | \$ 1,942,820 |

# Enactus

## Notes to Financial Statements

### Note 10. Endowment (Continued)

The composition of net assets by type of endowment fund at December 31, 2021, was as follows:

|                                  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total        |
|----------------------------------|----------------------------------|-------------------------------|--------------|
| Donor-restricted endowment funds | \$ 520,968                       | \$ 1,574,834                  | \$ 2,095,802 |

Changes in endowment net assets for the year ended December 31, 2022, were as follows:

|   | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total        |
|---|----------------------------------|-------------------------------|--------------|
| Endowment net assets, beginning of year           | \$ 520,968                       | \$ 1,574,834                  | \$ 2,095,802 |
| Investment return:                                |                                  |                               |              |
| Investment income                                 | 8,039                            | -                             | 8,039        |
| Net appreciation (depreciation)                   | (161,021)                        | -                             | (161,021)    |
| Total investment return (loss)                    | (152,982)                        | -                             | (152,982)    |
| Appropriation of endowment assets for expenditure | -                                | -                             | -            |
| Endowment net assets, end of year                 | \$ 367,986                       | \$ 1,574,834                  | \$ 1,942,820 |

Changes in endowment net assets for the year ended December 31, 2021, were as follows:

|   | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total        |
|---|----------------------------------|-------------------------------|--------------|
| Endowment net assets, beginning of year           | \$ 354,568                       | \$ 1,544,203                  | \$ 1,898,771 |
| Contributions                                     | -                                | 30,631                        | 30,631       |
| Investment return:                                |                                  |                               |              |
| Investment income                                 | 10,009                           | -                             | 10,009       |
| Net appreciation                                  | 156,391                          | -                             | 156,391      |
| Total investment return                           | 166,400                          | -                             | 166,400      |
| Appropriation of endowment assets for expenditure | -                                | -                             | -            |
| Endowment net assets, end of year                 | \$ 520,968                       | \$ 1,574,834                  | \$ 2,095,802 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with U.S. GAAP, deficiencies of this nature, if any, would be reported in net assets with donor restrictions.

**Note 10. Endowment (Continued)**

Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods. The primary investment objectives are to preserve principal and provide income to cover expenses of those projects and programs endowed and to achieve this at a level of risk deemed acceptable. Risk is present in all types of securities and investment styles; some risk is necessary to produce long-term investment results that is sufficient to meet the funds' objectives. Endowment assets are invested in a portfolio that is diversified by both asset class, such as equity securities and fixed income, and within asset classes to manage volatility. Allocations and performance targets are established and are reviewed by the Organization's Investment Committee and investment manager.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

All endowments will follow spending requirements as intended by the donor and as reflected in the specific endowment agreement with a goal to maximize disbursements. If an individual endowment account does not have enough accumulated earnings to make the specified payments, the payments are made out of net assets without donor restrictions. Payouts will be reviewed and adjusted as deemed prudent by the Organization's Investment Committee.

**Note 11. Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1:** Inputs are quoted prices in active markets for identical assets or liabilities.

**Level 2:** Inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3:** Inputs are unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

## Notes to Financial Statements

**Note 11. Disclosures About Fair Value of Assets (Continued)**

**Recurring measurements:** The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022:

|                               | Fair Value        | Fair Value Measurements Using   |  |  |
|-------------------------------|-------------------|---|--|--|
|                               |                   | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Corporate debt securities     | \$ 72,240         | \$ -  | \$ 72,240  | \$ -   |
| Mutual funds                  | 665,745           | 665,745   | -  | -  |
| Government agency obligations | 172,278           | -   | 172,278  | -  |
|                               | <u>\$ 910,263</u> | <u>\$ 665,745</u>   | <u>\$ 244,518</u>                                      | <u>\$ -</u>  |

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021:

|                               | Fair Value          | Fair Value Measurements Using   |  |  |
|-------------------------------|---------------------|---|--|--|
|                               |                     | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Corporate debt securities     | \$ 177,457          | \$ -  | \$ 177,457   | \$ -   |
| Mutual funds                  | 830,929             | 830,929   | -  | -  |
| Government agency obligations | 10,173              | -   | 10,173   | -  |
|                               | <u>\$ 1,018,559</u> | <u>\$ 830,929</u>   | <u>\$ 187,630</u>                                      | <u>\$ -</u>  |

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2022 and 2021.

**Investments:** Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no investments classified as Level 3 within the hierarchy.

## Enactus

### Notes to Financial Statements

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#### Note 12. Significant Estimates, Concentrations and Commitments

U.S. GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**Investments:** The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk 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 changes could materially affect the amounts reported in the accompanying statements of financial position.

#### Note 13. Global Expansion

In addition to the Enactus program in the United States, there are Enactus programs in the nine global regions listed below, encompassing a total of 33 countries. Programs receive various levels of support from Enactus.

| Global Region              | Country    |                          |
|----------------------------|------------|--------------------------|
| Africa                     | Egypt      | Senegal                  |
|                            | Ghana      | South Africa             |
|                            | Kenya      | Eswatini                 |
|                            | Morocco    | Tunisia                  |
|                            | Nigeria    | Zimbabwe                 |
|                            |            |                          |
| Oceania                    | Australia  |                          |
| Central and Eastern Europe | Poland     |                          |
| Central Asia               | Azerbaijan | Kyrgyzstan               |
|                            | Kazakhstan | Tajikistan               |
| East Asia                  | China      | Korea                    |
|                            | India      |                          |
| Eurasia                    | Ukraine    |                          |
| North America              | Canada     | Puerto Rico              |
|                            | Mexico     | United States of America |
| Western Europe             | Belgium    | Italy                    |
|                            | France     | Netherlands              |
|                            | Germany    | United Kingdom           |
|                            | Ireland    |                          |
| South America              | Brazil     | Guatemala                |

**Note 14. CARES Act**

The Organization concluded the eligibility requirements for the Employee Retention Credit Program allowed under the Coronavirus Aid, Relief and Economic Security (CARES) Act were met during the year ended December 31, 2021. The Organization records the credits when there is reasonable assurance that it has complied with the conditions required to receive the credit. The credit of \$289,906 is recorded as other income on the statement of activities in 2021. A portion of credits have not yet been received as of December 31, 2022 or 2021, which amounted to \$266,237 and is recorded in accrued interest and other receivables on the statement of financial position.

In February 2021, the Organization received a second Paycheck Protection Program (PPP) loan for \$661,000 from the federal government. Under the provisions of the CARES Act, the loan was subject to forgiveness if certain conditions were met. In October 2021, the loan was forgiven by the lender and the Organization was legally released as the primary obligor. The full amount of the note was recognized as a gain on forgiveness of debt in the statement of activities for \$661,000 for the year ended December 31, 2021, in accordance with ASC 470, Debt.

The PPP loans are subject to an audit by the Small Business Administration (SBA) for six years following the date of forgiveness, at which time a refund of all or a portion of the loan may be required.

**Note 15. Subsequent Events**

Subsequent events have been evaluated through May 22, 2023, which is the date the financial statements were available to be issued.