

THE DENAN PROJECT, INC.

Financial Statements

**Year Ended December 31, 2021
(with comparative totals for 2020)**

THE DENAN PROJECT, INC.

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Independent Auditor's Report

The Board of Directors
The Denan Project, Inc.
Woodbury, Connecticut

Opinion

We have audited the financial statements of The Denan Project, Inc. (Project), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, cash flows, and functional expenses for the year 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 Project as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. 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 Project 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for 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.

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 Project's ability to continue as a going concern for one year after the date that the financial statements are 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 U.S. 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 U.S. 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 Project'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 Project'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.

Report on Summarized Comparative Information

We have previously audited the Project's financial statements as of and for the year ended December 31, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cirone Friedberg, LLP

Shelton, Connecticut
July 7, 2022

THE DENAN PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(with comparative totals for 2020)

ASSETS	<u>2021</u>	<u>2020</u>
Cash - Checking	\$ 315,704	\$ 240,887
Cash - Savings	<u>341,562</u>	<u>337,829</u>
Total Cash	657,266	578,716
Agency Assets	<u>9,180</u>	<u>12,461</u>
Total Assets	<u>\$ 666,446</u>	<u>\$ 591,177</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Agency Liabilities	<u>\$ 9,180</u>	<u>\$ 12,461</u>
<u>Net Assets</u>		
Without Donor Restriction:		
Board Designated - Denan, Ethiopia	139,000	139,000
Undesignated - Available for Operations	<u>98,473</u>	<u>108,094</u>
Total Without Donor Restriction	237,473	247,094
With Donor Restriction	<u>419,793</u>	<u>331,622</u>
Total Net Assets	<u>657,266</u>	<u>578,716</u>
Total Liabilities and Net Assets	<u>\$ 666,446</u>	<u>\$ 591,177</u>

See notes to financial statements.

THE DENAN PROJECT, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
Public Support and Interest				
Contributions	\$ 134,567	\$ 242,000	\$ 376,567	\$ 285,280
Interest	452	-	452	833
Total	<u>135,019</u>	<u>242,000</u>	<u>377,019</u>	<u>286,113</u>
Net Assets Released from Restriction:				
Satisfaction of Purpose Restrictions	<u>153,829</u>	<u>(153,829)</u>	<u>-</u>	<u>-</u>
Total Public Support and Interest	<u>288,848</u>	<u>88,171</u>	<u>377,019</u>	<u>286,113</u>
Expenses				
Program Services:				
Denan, Ethiopia:				
Food and Nutrition	17,348	-	17,348	3,176
Hospital and Related Projects	164,289	-	164,289	149,169
Other Programs	27,223	-	27,223	5,279
Subtotal	208,860	-	208,860	157,624
Peru	44,175	-	44,175	41,832
Mongolia	26,750	-	26,750	9,250
Total Program Services	<u>279,785</u>	<u>-</u>	<u>279,785</u>	<u>208,706</u>
Support Services:				
Management and General	14,826	-	14,826	13,333
Fund Raising	3,858	-	3,858	3,323
Total Support Services	<u>18,684</u>	<u>-</u>	<u>18,684</u>	<u>16,656</u>
Total Expenses	<u>298,469</u>	<u>-</u>	<u>298,469</u>	<u>225,362</u>
Change in Net Assets	(9,621)	88,171	78,550	60,751
Net Assets - Beginning of Year	<u>247,094</u>	<u>331,622</u>	<u>578,716</u>	<u>517,965</u>
Net Assets - End of Year	<u>\$ 237,473</u>	<u>\$ 419,793</u>	<u>\$ 657,266</u>	<u>\$ 578,716</u>

See notes to financial statements.

THE DENAN PROJECT, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 78,550	\$ 60,751
Adjustment to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Changes in Assets and Liabilities:		
Advances to Projects	-	9,250
Agency Assets	3,281	2,023
Accrued Expenses	-	(1,416)
Agency Liabilities	(3,281)	(2,023)
Total Adjustments	<u>-</u>	<u>7,834</u>
Net Cash Provided by Operating Activities	<u>78,550</u>	<u>68,585</u>
Net Increase in Cash	78,550	68,585
Cash - Beginning of Year	<u>578,716</u>	<u>510,131</u>
Cash - End of Year	<u>\$ 657,266</u>	<u>\$ 578,716</u>

See notes to financial statements.

THE DENAN PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	Program Services					Support Services		Total Expenses 2021	Total Expenses 2020
	Denan, Ethiopia					General and Administrative	Fund Raising		
	Food and Nutrition	Hospital and Related Projects	Other Programs	Peru	Mongolia				
<u>Denan, Ethiopia</u>									
Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150
Medicine	-	40,000	-	-	-	-	-	40,000	40,000
Water	-	-	20,248	-	-	-	-	20,248	-
Nutrition	17,348	-	-	-	-	-	-	17,348	3,176
Wages	-	65,544	6,975	-	-	-	-	72,519	77,564
Professional Services	-	10,326	-	-	-	-	-	10,326	11,425
Travel	-	-	-	-	-	-	-	-	1,135
Auto Expense	-	13,394	-	-	-	-	-	13,394	5,854
Diesel	-	21,483	-	-	-	-	-	21,483	8,000
Supplies	-	13,542	-	-	-	-	-	13,542	10,320
<u>Peru</u>									
Bank Charges	-	-	-	111	-	-	-	111	121
Professional Services	-	-	-	2,941	-	-	-	2,941	2,414
Wages	-	-	-	32,113	-	-	-	32,113	32,374
Auto Expense	-	-	-	606	-	-	-	606	-
Fuel	-	-	-	469	-	-	-	469	517
Education	-	-	-	1,847	-	-	-	1,847	2,841
Micro-Loans	-	-	-	4,569	-	-	-	4,569	3,019
General Operations	-	-	-	675	-	-	-	675	546
Supplies	-	-	-	844	-	-	-	844	-
<u>Mongolia</u>									
Hospital Equipment	-	-	-	-	18,620	-	-	18,620	-
Fuel	-	-	-	-	1,200	-	-	1,200	1,000
Supplies	-	-	-	-	430	-	-	430	-
Professional Services	-	-	-	-	6,500	-	-	6,500	5,417
Wages	-	-	-	-	-	-	-	-	2,000
Miscellaneous Expenses	-	-	-	-	-	-	-	-	833
<u>Support Services Expenses</u>									
Bank Service Charges	-	-	-	-	-	1,599	-	1,599	861
Insurance	-	-	-	-	-	920	-	920	920
Professional Services	-	-	-	-	-	11,059	-	11,059	11,129
Printing and Postage	-	-	-	-	-	-	3,858	3,858	3,323
Miscellaneous Expenses	-	-	-	-	-	1,248	-	1,248	423
Total Functional Expenses	17,348	164,289	27,223	44,175	26,750	14,826	3,858	298,469	\$ 225,362
Funded by Contributions With Donor Restriction	17,348	88,771	-	44,175	3,535	-	-	153,829	
Funded by Contributions Without Donor Restriction	\$ -	\$ 75,518	\$ 27,223	\$ -	\$ 23,215	\$ 14,826	\$ 3,858	\$ 144,640	

See notes to financial statements.

THE DENAN PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(with comparative totals for 2020)

NOTE 1 - NATURE OF OPERATIONS

The Denan Project, Inc. (Project) was established in Woodbury, Connecticut. The Project is a grassroots organization whose volunteer members secure the necessary resources to provide free medical care, potable water, agricultural training, and other critical services for the people of Denan, Ethiopia, and the surrounding villages and to other impoverished communities in Peru and Mongolia.

During 2021, the Project managed several active projects and programs in 3 different countries.

In Denan, Ethiopia, a clinic was opened in April 2004, which has grown into a fully staffed hospital. There are programs for polio eradication, TB treatment, vaccination, supplemental feeding, health education, pre-natal and well baby care and female anti-genital mutilation. Related to agriculture, the Project which had provided a tractor, farm implements and drought-resistant seeds to help the various farming cooperatives grow much needed crops, has now given the tractor to a group of elders to use for the benefit of the community. As water is scarce, the Project uses its water tanker to provide water to its hospital on a regular basis and is used during times of drought to help supply water to Denan. The Project also provides for emergency food shipments on occasion. All medical and other services are provided free to the surrounding villages. The Project also provides micro-loans to organized groups to help them start cottage industries or other uses depending on requests from the community and availability of funding.

In Peru, the Project built a health facility in the small, high Andean town of Uratari, which opened in August 2010. The health facility provides medical and dental care, education and medical outreach programs, and provides micro-loans to organized groups to help them start cottage industries. In 2019, the Project established a free boarding school in Uratari, Peru in order to give children from small surrounding towns, where there are no high schools, an opportunity to receive a higher education.

In October 2011, the Project began providing funding to an existing hospital in Tariat, Mongolia. In 2015, the Project also began supporting an additional hospital in Erdenemandal, Mongolia. The Project provides state of the art surgical, dental, testing and transportation equipment to each hospital. Both hospitals are in the Arkhangai province. The Project provides funding to train doctors in the areas of cardiology, pediatrics, internal medicine, anesthesiology, dentistry and physical therapy. The Project also supports doctors in distant hospital outposts enabling them to bring medical care to remote herder encampments and provides support for a medical club at a local high school in Tariat, Mongolia.

The Project's support comes primarily from individual, corporate and foundation contributions worldwide.

The Project is a not-for-profit organization incorporated under the Nonstock Corporation Act of the state of Connecticut and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Project is also exempt from state income tax.

THE DENAN PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(with comparative totals for 2020)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Project have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Project to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restriction

Net assets without donor restriction consist of net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Project. These net assets may be used at the discretion of the Project's management and the board of directors.

The board of directors has designated certain net assets for ongoing projects.

Net Assets With Donor Restriction

Net assets with donor restriction consist of net assets subject to stipulations by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Project, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2021 and 2020, the Project has no restricted net assets to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires or the restricted purpose is satisfied, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statement of activities. If a restriction is fulfilled in the same period in which the contribution is received, the Project reflects the support as a contribution without donor restriction. In addition, if a program by the Project ceases to operate where the Project has received donor restricted contributions, and those contributions are unexpended at the time the program ceases to operate, the Project will transfer those unexpended donor restricted net assets to other programs where there is a need.

Revenue Recognition

The Project recognizes contributions when cash, securities, an unconditional promise to give, other assets, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met.

THE DENAN PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(with comparative totals for 2020)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received without donor-imposed restrictions are determined to be support without donor restriction and are reflected in the accompanying financial statements as contributions. Contributions received with donor-imposed restrictions are determined to be support with donor restriction in the accompanying financial statements. Contributions with donor-imposed conditions are not recognized as contributions in the accompanying financial statements until the period when the conditions are met.

Contributed Goods and Services

Goods and services have been provided by volunteers who contribute their time to the Project. Contributions are recognized if the goods or services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During each of the years ended December 31, 2021 and 2020, no contributed goods or services were received by the Project that meet the above criteria.

Micro-Loans

Micro-Loans are made to groups of individuals at program locations to fund programs to improve the local economic conditions. The Micro-Loans are typically short-term loans that can be renewed or repurposed on a periodic basis. The Project expenses Micro-Loan funds as they are disbursed since it is the intention of the Project that the funds will remain in circulation in the local community to be continuously utilized for the same or similar projects in the program location (Note 6).

Agency Assets/Liabilities

When the Project acts as an agent, trustee or intermediary for a donor, it reflects contributions and other receipts of cash as an increase in agency assets with a corresponding increase in agency liabilities. Distributions to third-party recipients are reflected as a decrease in agency assets with a corresponding decrease in agency liabilities.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Costs incurred represent direct costs of providing services and other activities.

THE DENAN PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(with comparative totals for 2020)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with 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 and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through July 7, 2022, the date the financial statements were available to be issued. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

NOTE 3 - CONCENTRATION OF RISK - CASH

The Project maintains cash accounts at several commercial banks. The cash accounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation. At times during the year, the cash balances exceeded the insured limits. The Project believes it is not exposed to any significant credit risks on cash.

NOTE 4 - LIQUIDITY

The Project is regularly funded by contributions from donors that contain restrictions. Those restrictions require resources to be used in a certain manner. Therefore, the Project must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditures within one year. As part of its liquidity management, the Project has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due.

The following table reflects the Project's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available for general use within one year of the statement of financial position date due to donor-imposed restrictions. Amounts that are not available also include board designated amounts that could be utilized if the board of directors approves the use.

THE DENAN PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(with comparative totals for 2020)

NOTE 4 - LIQUIDITY (CONTINUED)

	<u>2021</u>	<u>2020</u>
Cash in Checking and Savings Accounts	\$ 657,266	\$ 578,716
Less Amounts Unavailable For General Expenditures Within One Year:		
Net Assets With Donor Restriction Not Expected to be Satisfied Within One Year	243,100	180,200
Net Assets Without Donor Restriction - Board Designated	<u>139,000</u>	<u>139,000</u>
Total Financial Assets Unavailable	<u>382,100</u>	<u>319,200</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 275,166</u>	<u>\$ 259,516</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTION

At December 31, the activity of net assets with donor restriction for the following purposes are as follows:

<u>2021</u>	<u>1/1/21</u> <u>Balance</u>	<u>Contributions</u>	<u>Expended</u>	<u>12/31/21</u> <u>Balance</u>
<u>Denan, Ethiopia</u>				
Food and Nutrition	\$ 41,812	\$ 2,000	\$ (17,348)	\$ 26,464
Hospital and Related Projects	<u>79,755</u>	<u>152,330</u>	<u>(88,771)</u>	<u>143,314</u>
Total Denan, Ethiopia	121,567	154,330	(106,119)	169,778
Peru Health Center	206,430	86,975	(44,175)	249,230
Mongolia	<u>3,625</u>	<u>695</u>	<u>(3,535)</u>	<u>785</u>
Total	<u>\$ 331,622</u>	<u>\$ 242,000</u>	<u>\$ (153,829)</u>	<u>\$ 419,793</u>

THE DENAN PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(with comparative totals for 2020)

NOTE 5 - NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

2020

	<u>1/1/20</u> <u>Balance</u>	<u>Contributions</u>	<u>Expended</u>	<u>12/31/20</u> <u>Balance</u>
<u>Denan, Ethiopia</u>				
Food and Nutrition	\$ 40,988	\$ 4,000	\$ (3,176)	\$ 41,812
Hospital and Related Projects	52,025	102,261	(74,531)	79,755
Water	<u>250</u>	<u>-</u>	<u>(250)</u>	<u>-</u>
Total Denan, Ethiopia	93,263	106,261	(77,957)	121,567
 Peru Health Center	 192,532	 55,720	 (41,822)	 206,430
Mongolia	<u>1,025</u>	<u>11,850</u>	<u>(9,250)</u>	<u>3,625</u>
 Total	 <u>\$ 286,820</u>	 <u>\$ 173,831</u>	 <u>\$ (129,029)</u>	 <u>\$ 331,622</u>

NOTE 6 - MICRO-LOANS

As of December 31, 2021 and 2020, Micro-Loans in circulation at the various program locations are approximately \$45,800 and \$41,200, respectively. These loan funds will either be renewed or repurposed as the loans mature (Note 2).

NOTE 7 - CONTINGENCY

The COVID-19 outbreak is continuing to disrupt supply chains and affect production and revenues across a range of industries. The extent of the impact of COVID-19 on the Project's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, as well as the impact on the Project's donors, volunteers and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may continue to impact the Project's financial condition or operations is uncertain and no adjustments have been made to the financial statements as a result of this uncertainty.

NOTE 8 - PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Project's financial statements for the year ended December 31, 2020, from which the summarized information was derived.