

EL PORVENIR

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

December 31, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Porvenir
Denver, Colorado

We have audited the accompanying statements of financial position of El Porvenir as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of El Porvenir's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Porvenir as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying summary schedule of activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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EL PORVENIR
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 297,253	\$ 132,982
Accounts receivable	10,589	12,146
Promises to give - current portion	68,800	71,971
Investments	<u>161,034</u>	<u>263,602</u>
Total current assets	537,676	480,701
PROPERTY AND EQUIPMENT		
Property and equipment - net	59,288	68,574
OTHER ASSETS		
Promises to give - net of current portion	<u>50,000</u>	<u>-</u>
Total assets	<u>\$ 646,964</u>	<u>\$ 549,275</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 30,738	\$ 5,444
Accrued expenses	<u>53,571</u>	<u>46,862</u>
Total liabilities	84,309	52,306
NET ASSETS		
Unrestricted	332,823	336,512
Temporarily restricted	<u>229,832</u>	<u>160,457</u>
Total net assets	<u>562,655</u>	<u>496,969</u>
Total liabilities and net assets	<u>\$ 646,964</u>	<u>\$ 549,275</u>

See accompanying notes.

EL PORVENIR
STATEMENTS OF ACTIVITIES
Years ended December 31, 2011 and 2010

	2011	2010
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 576,661	\$ 451,648
Work Brigades	192,240	110,469
Educational tour	-	7,300
Grants	250,628	261,331
Investment return	803	859
Donated services	27,886	15,532
Other	50,672	28,251
Total unrestricted support and revenue	1,098,890	875,390
EXPENSES		
Program services	1,066,559	824,548
Supporting activities		
General and administrative	91,442	91,120
Fundraising	88,130	91,675
Total supporting activities	179,572	182,795
Total expenses	1,246,131	1,007,343
Net assets released from restrictions	143,552	103,328
Change in unrestricted net assets	(3,689)	(28,625)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	212,927	105,397
Net assets released from restrictions	(143,552)	(103,328)
Change in temporarily restricted net assets	69,375	2,069
Change in net assets	65,686	(26,556)
Net assets - beginning of year	496,969	523,525
Net assets - end of year	\$ 562,655	\$ 496,969

See accompanying notes.

EL PORVENIR
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2011 and 2010

	2011			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 184,082	\$ 39,649	\$ 59,473	\$ 283,204
Payroll taxes	16,415	3,536	5,303	25,254
Benefits	47,571	10,245	15,369	73,185
Training and technical assistance	13,779	3,445	-	17,224
Insurance	3,498	1,367	1,391	6,256
Occupancy	24,038	6,009	-	30,047
Professional services	363	91	1,475	1,929
Outside services	-	10,750	-	10,750
Advertising and promotion	8,708	1,704	472	10,884
Bank charges and other fees	3,068	767	-	3,835
Equipment repair and maintenance	19,257	2,877	-	22,134
Vehicle repair and maintenance	24,095	3,600	-	27,695
Office expense and supplies	5,151	1,119	323	6,593
Travel	21,986	1,613	1,564	25,163
Depreciation	12,285	2,548	149	14,982
Brigades Program	120,703	-	-	120,703
Water and sanitation materials and supplies	469,837	-	-	469,837
Reforestation materials and supplies	16,725	-	-	16,725
Health and hygiene education	32,033	-	-	32,033
Other programs	3,492	-	-	3,492
Donated services	27,886	-	-	27,886
Other expenses	11,587	2,122	2,611	16,320
Total expenses	\$ 1,066,559	\$ 91,442	\$ 88,130	\$ 1,246,131

See accompanying notes.

2010

Program Services	Management and General	Fundraising	Total
\$ 175,603	\$ 37,822	\$ 56,733	\$ 270,158
16,459	3,545	5,317	25,321
49,920	10,752	16,128	76,800
9,190	2,298	-	11,488
4,016	1,516	1,365	6,897
25,933	6,483	-	32,416
4,446	174	8,096	12,716
-	10,400	-	10,400
11,486	2,249	623	14,358
-	2,470	-	2,470
15,031	2,246	-	17,277
18,785	2,807	-	21,592
4,617	848	278	5,743
19,777	3,645	1,609	25,031
13,293	2,756	162	16,211
75,164	-	-	75,164
296,456	-	-	296,456
15,281	-	-	15,281
27,112	-	-	27,112
20,390	-	-	20,390
15,532	-	-	15,532
6,057	1,109	1,364	8,530
<u>\$ 824,548</u>	<u>\$ 91,120</u>	<u>\$ 91,675</u>	<u>\$ 1,007,343</u>

EL PORVENIR
STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 65,686	\$ (26,556)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	14,982	16,211
Unrealized loss on investments	-	96
(Increase) decrease in assets		
Accounts receivable	1,557	12,641
Promises to give	(46,829)	(7,651)
Increase in liabilities		
Accounts payable	25,294	1,593
Accrued expenses	6,709	11,823
Net cash flows from operating activities	<u>67,399</u>	<u>8,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,696)	(3,376)
Reinvestment of dividends and interest	(19)	(22)
Purchases of investments	-	(10,330)
Proceeds from sales of investments	102,587	39,138
Net cash flows from investing activities	<u>96,872</u>	<u>25,410</u>
Net change in cash	164,271	33,567
Cash - beginning of year	132,982	99,415
Cash - end of year	<u>\$ 297,253</u>	<u>\$ 132,982</u>

See accompanying notes.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

El Porvenir is incorporated under the California Non-Profit Corporations Code. El Porvenir's mission is to improve the standard of living of poor people in Nicaragua through sustainable self-help water, sanitation, and reforestation projects. Specifically, El Porvenir partners with rural Nicaraguan villages to enable them to fulfill their right to a healthy environment, clean drinking water, and appropriate sanitation. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

El Porvenir is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by El Porvenir in perpetuity.

Accounts Receivable

El Porvenir considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value.

El Porvenir considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If promises to give become uncollectible, they will be charged to operations when that determination is made.

Investments

El Porvenir carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Purchases of property and equipment are recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method.

Contributions

Support restricted by the donor is reported as increases in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other restricted support is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Foreign Currency Transactions

The functional currencies used by El Porvenir are the U.S. Dollar and the Nicaraguan Córdoba. Assets and liabilities denominated in currencies other than the U.S. Dollar are translated into U.S. Dollars at the rates in effect at the date of the statements of financial position. Revenue and expense items denominated in currencies other than the U.S. Dollar are translated into U.S. Dollars at the rates in effect during the period.

El Porvenir's operations are concentrated outside the United States. It is reasonably possible that operations could be interrupted in the near term.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status

El Porvenir is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, El Porvenir qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). El Porvenir's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, El Porvenir is no longer subject to such examinations for tax years before 2008.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Date of Management's Review

Management has evaluated subsequent events through June 29, 2012, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

El Porvenir maintains cash balances at one financial institution located in Nicaragua. The Fondo de Garantía de Depósitos (Fund for Deposits Insurance) insures accounts at each Nicaraguan institution up to \$10,000. El Porvenir had uninsured cash balances of \$44,235 and \$123,991 at December 31, 2011 and 2010.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Salary advances	\$ 1,365	\$ 1,569
Cash advances for building projects	7,291	10,330
Other	<u>1,933</u>	<u>247</u>
Accounts receivable	<u>\$ 10,589</u>	<u>\$ 12,146</u>

NOTE 4 – INVESTMENTS

Investments at December 31, 2011 and 2010 consisted of \$161,034 and \$263,602, all of which was in money market funds.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 – INVESTMENTS (continued)

Investment return for 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 803	\$ 955
Unrealized gain (loss)	-	(96)
Investment return	<u>\$ 803</u>	<u>\$ 859</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments - 2011	<u>\$ 161,034</u>	<u>\$ 161,034</u>	<u>\$ -</u>	<u>\$ -</u>
Investments - 2010	<u>\$ 263,602</u>	<u>\$ 263,602</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 10,204	\$ 10,204
Building	40,816	40,816
Equipment	31,989	30,638
Vehicles	<u>114,118</u>	<u>109,774</u>
Property and equipment	197,127	191,432
Accumulated depreciation	<u>137,839</u>	<u>122,858</u>
Property and equipment - net	<u>\$ 59,288</u>	<u>\$ 68,574</u>

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 – NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Time restrictions		
Pledges	\$ 118,800	\$ 71,971
Purpose restrictions		
Water, sanitation, reforestation materials and supplies, and health and hygiene education	<u>111,032</u>	<u>88,486</u>
Temporarily restricted net assets	<u>\$ 229,832</u>	<u>\$ 160,457</u>

NOTE 8 – DONATED SERVICES

El Porvenir received donated services to aid in building hand-dug wells, community wash stations, and household latrines. These services were valued at \$27,886 and \$15,532 for 2011 and 2010.

In addition, a substantial number of volunteers have made significant contributions of their time to El Porvenir's program and supporting services. No amount is recognized for these services because the criteria for recognition have not been met.

EL PORVENIR
SUMMARY SCHEDULE OF ACTIVITIES
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Support and revenue	\$ 1,311,817	\$ 980,787
Expenses	<u>(1,246,131)</u>	<u>(1,007,343)</u>
Net revenue over expenses	65,686	(26,556)
Net assets - beginning of year	<u>496,969</u>	<u>523,525</u>
Net assets - end of year	<u>\$ 562,655</u>	<u>\$ 496,969</u>
Unrestricted	\$ 332,823	\$ 336,512
Restricted	<u>229,832</u>	<u>160,457</u>
Total net assets - end of year	<u>\$ 562,655</u>	<u>\$ 496,969</u>

Support and revenue includes \$212,927 that was received but not spent during 2011.

Support and revenue includes \$105,397 that was received but not spent during 2010.