

EL PORVENIR

FINANCIAL STATEMENTS

December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Porvenir
Denver, Colorado

We have audited the accompanying financial statements of El Porvenir, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, 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.

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EL PORVENIR
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 430,909	\$ 423,634
Accounts receivable	22,404	5,525
Promises to give	53,539	77,912
Inventory	1,371	6,097
Total current assets	508,223	513,168
Property and equipment - net	78,099	76,803
Total assets	\$ 586,322	\$ 589,971
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,309	\$ 8,688
Accrued expenses	52,896	60,400
Total liabilities	57,205	69,088
NET ASSETS		
Unrestricted	390,843	347,785
Temporarily restricted	138,274	173,098
Total net assets	529,117	520,883
Total liabilities and net assets	\$ 586,322	\$ 589,971

See accompanying notes.

EL PORVENIR
STATEMENTS OF ACTIVITIES
Years ended December 31, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 792,091	\$ 770,172
Work brigades	217,463	161,454
Local contributions	12,197	28,902
Interest	865	1,180
Donated services	20,462	27,922
Other	12,379	3,963
Total unrestricted support and revenue	1,055,457	993,593
EXPENSES AND LOSSES		
Program services	991,776	945,566
Supporting activities		
General and administrative	124,354	96,704
Fundraising	62,629	97,005
Total supporting activities	186,983	193,709
Total expenses	1,178,759	1,139,275
Loss on disposal of assets	860	-
Total expenses and losses	1,179,619	1,139,275
Net assets released from restrictions	167,220	160,644
Change in unrestricted net assets	43,058	14,962
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	132,396	117,910
Net assets released from restrictions	(167,220)	(160,644)
Loss on uncollectible promise to give	-	(14,000)
Change in temporarily restricted net assets	(34,824)	(56,734)
Change in net assets	8,234	(41,772)
Net assets - beginning of year	520,883	562,655
Net assets - end of year	<u>\$ 529,117</u>	<u>\$ 520,883</u>

See accompanying notes.

EL PORVENIR
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2013 and 2012

	2013			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 193,116	\$ 66,752	\$ 37,557	\$ 297,425
Payroll taxes	19,873	6,323	3,914	30,110
Benefits	44,708	14,225	8,806	67,740
Training and technical assistance	9,987	2,491	19	12,497
Insurance	5,903	2,052	1,889	9,844
Occupancy	20,674	5,213	4,673	30,560
Professional services	9,985	4,988	1,657	16,630
Outside services	20,462	10,200	-	30,662
Advertising and promotion	6,281	1,210	360	7,851
Bank charges and other fees	-	3,166	-	3,166
Equipment repair and maintenance	20,300	-	-	20,300
Vehicle repair and maintenance	34,659	2,605	-	37,264
Office expense and supplies	4,572	987	618	6,177
Travel	19,819	1,775	1,679	23,273
Depreciation	14,849	1,922	698	17,469
Brigades Program	155,444	-	-	155,444
Water and sanitation materials and supplies	343,553	-	-	343,553
Reforestation materials and supplies	20,100	-	-	20,100
Health and hygiene education	28,797	-	-	28,797
Other programs	15,200	-	-	15,200
Other expenses	3,494	444	759	4,697
Total expenses	\$ 991,776	\$ 124,354	\$ 62,629	\$ 1,178,759

See accompanying notes.

2012

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<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 189,839	\$ 40,889	\$ 61,334	\$ 292,062
18,816	4,053	6,079	28,948
45,932	9,893	14,840	70,665
7,542	1,886	-	9,428
4,221	909	1,363	6,493
19,007	4,094	6,140	29,241
8,945	1,927	2,888	13,760
27,922	10,200	-	38,122
7,202	1,437	363	9,002
-	5,207	-	5,207
23,299	3,483	-	26,782
34,444	5,147	-	39,591
8,151	1,391	476	10,018
20,879	1,292	921	23,092
14,105	2,924	173	17,202
96,926	-	-	96,926
-	-	-	-
361,803	-	-	361,803
17,051	-	-	17,051
24,382	-	-	24,382
4,328	-	-	4,328
10,772	1,972	2,428	15,172
<u>\$ 945,566</u>	<u>\$ 96,704</u>	<u>\$ 97,005</u>	<u>\$ 1,139,275</u>

EL PORVENIR
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,234	\$ (41,772)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	17,469	17,202
Loss on uncollectible promises to give	-	14,000
Loss on disposal of assets	860	-
Donated investments	-	(4,161)
(Increase) decrease in assets		
Accounts receivable	(16,879)	5,064
Promises to give	24,373	26,888
Inventory	4,726	-
Increase (decrease) in liabilities		
Accounts payable	(4,379)	(22,050)
Accrued expenses	(7,504)	6,829
Net cash flows from operating activities	26,900	2,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(19,625)	(40,814)
Proceeds from sales of investments	-	4,161
Net cash flows from investing activities	(19,625)	(36,653)
Net change in cash	7,275	(34,653)
Cash - beginning of year	423,634	458,287
Cash - end of year	\$ 430,909	\$ 423,634
SUPPLEMENTAL DISCLOSURES		
Noncash investing transactions		
Donated investments	\$ -	\$ 4,161

See accompanying notes.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected. At December 31, 2013 and 2012, all promises to give were receivable within one year.

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.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Grants are recorded as unrestricted or temporarily restricted contributions, depending on the nature of the grant agreement.

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, in Nicaragua. Though the risk that any foreign operations could be interrupted in the near term is reasonably possible, management does not expect any disruption in the near or long-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 2010.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements 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 18, 2014, the date which the financial statements were available to be issued. Management did not note any events which require disclosure.

NOTE 2 – CONCENTRATION OF CREDIT RISK

El Porvenir maintains cash balances at financial institutions located in the United States and Nicaragua. The Fondo de Garantía de Depósitos (Fund for Deposits Insurance) insures accounts at each Nicaraguan institution up to \$10,000. The Federal Deposit Insurance Corporation insures accounts at each US institution up to \$250,000. El Porvenir had uninsured cash balances of \$86,831 and \$14,173 at December 31, 2013 and 2012 in Nicaragua.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Salary advances	\$ 120	\$ 1,123
Cash advances for building projects	6,734	2,373
Payroll taxes receivable	9,968	-
Other	<u>5,582</u>	<u>2,029</u>
Accounts receivable	<u>\$ 22,404</u>	<u>\$ 5,525</u>

NOTE 4 – LOSS ON UNCOLLECTIBLE PROMISE TO GIVE

During 2012 a donor changed their grant and funding strategies and notified El Porvenir that the remainder of a pledge made in 2011 would not be fulfilled. During 2011, the pledge was recorded in temporarily restricted contributions and the loss decreases the balance of temporarily restricted net assets at December 31, 2012.

EL PORVENIR
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Land	\$ 10,204	\$ 10,204
Building	40,816	40,816
Equipment	3,537	25,118
Vehicles	111,338	155,706
Property and equipment	165,895	231,844
Accumulated depreciation	87,796	155,041
Property and equipment - net	\$ 78,099	\$ 76,803

NOTE 6 – NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Time restrictions		
Pledges	\$ 53,539	\$ 77,912
Purpose restrictions		
Water, sanitation, reforestation materials and supplies, and health and hygiene education	84,735	95,186
Temporarily restricted net assets	\$ 138,274	\$ 173,098

NOTE 7 – 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 \$20,462 and \$27,886 for 2013 and 2012.

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.