

EL PORVENIR

**Financial Statements
Year Ending December 31, 2014**

EL PORVENIR
Year Ending December 31, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
El Porvenir
Westminster, Colorado

We have audited the accompanying financial statements of El Porvenir which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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, 2014, 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.

Clausen + Associates

Certified Public Accountants
May 14, 2015

EL PORVENIR

STATEMENT OF FINANCIAL POSITION
Year Ended December 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 316,683
Accounts receivable, net (Note 2)	16,240
Promises to give, short-term	162,772
Inventory	6,430
Total current assets	<u>502,125</u>

PROPERTY AND EQUIPMENT, NET (Note 4)	72,064
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OTHER ASSETS

Promises to give, long-term	50,000
Investments (Note 3)	100,694
Total other assets	<u>150,694</u>
Total assets	<u><u>\$ 724,883</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 6,842
Accrued expenses	52,793
Deferred revenue	38,594
Total current liabilities	<u>98,229</u>

NET ASSETS

Unrestricted	399,167
Temporarily restricted (Note 6)	227,487
Total net assets	<u>626,654</u>
Total liabilities and net assets	<u><u>\$ 724,883</u></u>

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STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Contributions	\$ 443,490
Work trips	213,163
Local contributions	12,865
Other	48,581
Donated services	18,066
Investment income, net	694
Interest	527
Total unrestricted support and revenue	<u>737,386</u>

EXPENSES

Program services	980,445
Supporting activities	
General and administrative	122,688
Fundraising	92,649
Total supporting activities	<u>215,337</u>
Total expenses	<u>1,195,782</u>

Gain on sale of assets	9,422
Net assets released from restrictions	<u>457,298</u>
Change in unrestricted net assets	<u>8,324</u>

TEMPORARILY RESTRICTED NET ASSETS

Contributions	546,511
Net assets released from restrictions	<u>(457,298)</u>
Change in temporarily restricted net assets	<u>89,213</u>
Change in net assets	97,537

NET ASSETS, beginning of year 529,117

NET ASSETS, end of year \$ 626,654

EL PORVENIR

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Water and sanitation materials and supplies	\$ 305,651	\$ -	\$ -	\$ 305,651
Work trips	161,742	-	-	161,742
Reforestation materials and supplies	75,337	-	-	75,337
Health and hygiene education	45,138	-	-	45,138
Outside services	10,785	-	-	10,785
Salaries and wages	196,476	55,417	58,188	310,081
Payroll taxes and benefits	72,313	19,149	15,268	106,730
Utilities	39,602	11,807	9,766	61,175
Travel	27,802	4,840	4,930	37,572
Professional services	8,234	10,500	-	18,734
Depreciation	11,794	2,211	737	14,742
Bank charges and other fees	-	14,068	-	14,068
Other expenses	10,467	388	725	11,580
Training and technical assistance	6,887	1,826	532	9,245
Insurance	4,130	1,569	-	5,699
Institutional expense	2,598	327	1,408	4,333
Office expense and supplies	1,489	586	1,095	3,170
Total expenses	<u>\$ 980,445</u>	<u>\$ 122,688</u>	<u>\$ 92,649</u>	<u>\$ 1,195,782</u>

EL PORVENIR

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 97,537
Adjustments to reconcile net income to net cash from operating activities	
Depreciation expense	14,742
(Increase) decrease in assets	
Accounts receivable	6,164
Promises to give	(159,233)
Inventory	(5,059)
Increase (decrease) in liabilities	
Accounts payable	2,533
Accrued expenses	(103)
Deferred revenue	38,594
Net cash provided (used) by operating activities	<u>(4,825)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(8,707)
Purchase of investments	<u>(100,694)</u>
Net cash provided (used) by investing activities	<u>(109,401)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(114,226)
CASH AND CASH EQUIVALENTS, beginning of year	<u>430,909</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 316,683</u></u>

EL PORVENIR

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of El Porvenir (the “Organization”) is presented to assist in understanding El Porvenir’s financial statements. The financial statements and notes are representations of El Porvenir’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of financial statements.

Nature of Operations. 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.

Basis of Accounting. The Organization’s financial statements are prepared on the accrual basis and, accordingly, reflect all significant receivables, payables, and other liabilities. The Organization follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the “FASB.” The FASB sets accounting principles generally accepted in the United States of America (“GAAP”) that are followed to ensure the financial condition, results of operations, and cash flows are consistently reported by the Organization. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

Financial Statement Presentation. Under ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash Equivalents. For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less, and available for current operations, to be cash equivalents.

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.

EL PORVENIR

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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 determined the promises will not be collected.

Property and Equipment. Property and equipment are stated at cost or fair market value in the case of donated items. The Organization capitalizes all assets over \$500. Purchases of property and equipment are recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method.

Use of Estimates. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues, and expenses. Actual results could differ from those estimates.

Contributions. In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition* contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

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 purchases if not provided by donation, are recorded at their estimated fair values in the period received.

Functional Expense Allocation. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Whenever possible, the Organization charges directly identifiable expenses to programs and supporting services. Accordingly, certain costs have been allocated to program services and supporting activities that benefited.

EL PORVENIR

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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.

Income Taxes. No provision for income tax is provided, as the Organization is exempt under *Section 501(c)(3) of the Internal Revenue Code* and the *California Income Tax Act*.

Accounting for Uncertain Tax Positions. The Organization follows guidance to account for any uncertainty in income taxes with respect to the accounting for all tax positions taken (or expected to be taken) on an income tax return. This guidance applies to all open tax periods in all tax jurisdictions in which the Organization is required to file an income tax return. Under GAAP, in order to recognize an uncertain tax benefit the taxpayer must be more likely than not of sustaining the position and measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Management does not believe there are any uncertain tax positions.

Fair Value Measurements. ASC 820, *Fair Value Measurements and Disclosures*, requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

Estimates The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues, and expenses. Actual results could differ from those estimates.

EL PORVENIR

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Concentration of Credit Risk. El Porvenir maintains cash balances at financial institutions located in the United States and Nicaragua. The Fondo de Garantia de Depositos (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 \$55,718 at December 31, 2014 in Nicaragua.

Inventory. Inventory consists principally of stoves and chimneys and is valued at lower of cost or market using the first-in first-out (FIFO) valuation method. Inventory was \$6,430 as of December 31, 2014.

Advertising. ASC 958-720, *Other Expenses, Advertising Costs*, requires direct response advertising to be capitalized when it can be shown that customers responded to a specific advertisement and there is probable future economic benefit. The Organization does not currently use direct response advertising; hence, advertising costs are expensed when incurred.

Investments. Under ASC 958-320, *Not-for-Profit Entities – Investments-Debt and Equity Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investments consist of common stock and mutual funds. Interest, dividends and realized and unrealized gains and losses are included in the change in net assets in the statement of activities.

Subsequent Events. Management has evaluated subsequent events through May 14, 2015, the date which the financial statements were available to be issued. Management did not note any events which require disclosure.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

	2014
Nicaraguan tax receivable	\$ 8,352
Cash advances for building projects	3,835
Other	4,053
Total	<u>\$ 16,240</u>

EL PORVENIR

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 3 - INVESTMENTS

Investments at fair value, as measured using quoted market prices in active markets for identical assets or redemption values (Level 1 inputs under ASC 820), consisted of the following at December 31:

	2014
Mutual Funds	<u>\$ 100,694</u>

Investment income, net, as reported in the statement of activities, consisted of the following for the year ended December 31:

	2014
Interest and dividend income	<u>\$ 3,550</u>
Unrealized loss on investments	(2,277)
Fees and charges	<u>(579)</u>
Total investment income, net	<u>\$ 694</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2014
Land	<u>\$ 10,204</u>
Building	47,300
Equipment	4,418
Vehicles	<u>88,360</u>
Total property and equipment	150,282
Accumulated depreciation	<u>(78,218)</u>
Property and equipment, net	<u>\$ 72,064</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – 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 \$18,066 for 2014.

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.

NOTE 6 – NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	<u>2014</u>
Time restrictions	
Promises to give	\$ 50,000
Purpose restrictions	
Water, sanitation, education, reforestation and work trips	<u>177,487</u>
Temporarily restricted, net	<u>\$ 227,487</u>