

EL PORVENIR

**Financial Statements
Years Ending December 31, 2016 and 2015**

EL PORVENIR
Years Ending December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
El Porvenir
Westminster, Colorado

We have audited the accompanying financial statements of El Porvenir (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements 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 Organization'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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited El Porvenir's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clausen + Associates

**Certified Public Accountants
April 29, 2017**

EL PORVENIR

STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31,	
	2016	2015 (Restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 501,982	\$ 321,141
Investments (Note 3)	104,449	98,365
Accounts receivable, net (Note 2)	28,818	8,371
Promises to give, short-term	215,302	111,169
Inventory	7,172	332
Total current assets	<u>857,723</u>	<u>539,378</u>
PROPERTY AND EQUIPMENT, NET (Note 4)	<u>90,590</u>	<u>63,980</u>
TOTAL ASSETS	<u>\$ 948,313</u>	<u>\$ 603,358</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,804	\$ 6,557
Accrued expenses	67,380	58,170
Total current liabilities	<u>85,184</u>	<u>64,727</u>
NET ASSETS		
Unrestricted	308,521	244,967
Temporarily restricted (Note 6)	554,608	293,664
Total net assets	<u>863,129</u>	<u>538,631</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 948,313</u>	<u>\$ 603,358</u>

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STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2016	2015 (Restated)
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND GAINS		
Contributions	\$ 436,934	\$ 364,505
Work trips	221,940	316,936
Local contributions	16,682	17,673
Other	18,457	24,672
Donated services	18,904	19,547
Investment income, net	612	2,241
Total unrestricted support and revenue	713,529	745,574
EXPENSES		
Program services	1,020,772	1,009,917
Supporting activities		
General and administrative	120,853	121,373
Fundraising	102,858	99,416
Total supporting activities	223,711	220,789
Total expenses and losses	1,244,483	1,230,706
OTHER GAINS AND LOSSES		
Unrealized gain (loss) on investments	5,472	(4,570)
Gain (loss) on foreign exchange	18,158	22,638
Gain (loss) on sale of assets	-	(1,093)
Total other gains and losses	23,630	16,975
Net assets released from restrictions	140,126	64,214
Change in unrestricted net assets	(367,198)	(403,943)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	745,225	423,645
WaterAid - Waslala Project (Note 8)	86,597	-
Net assets released from restrictions	(140,126)	(64,214)
Change in temporarily restricted net assets	691,696	359,431
Change in net assets	324,498	(44,512)
NET ASSETS, beginning of year	538,631	583,143
NET ASSETS, end of year	\$ 863,129	\$ 538,631

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STATEMENTS OF FUNCTIONAL EXPENSES
(with Summarized Comparative Totals for Year Ended December 31, 2015)

	Program Services	Management and General	Fundraising	Total	
				2016	Summarized 2015 (Restated)
Water and sanitation materials and supplies	\$ 276,838	\$ -	\$ -	\$ 276,838	\$ 313,096
Waslala Project	63,620	21,754	-	85,374	\$ -
Work trips	165,829	-	-	165,829	168,546
Reforestation materials and supplies	48,914	-	-	48,914	69,502
Health and hygiene education	48,490	-	-	48,490	40,275
Salaries and wages	220,761	40,434	50,894	312,089	334,185
Payroll taxes and benefits	89,402	21,261	12,537	123,200	112,776
Utilities	20,937	15,111	9,339	45,386	52,933
Travel	24,921	9,894	4,268	39,083	33,830
Other expenses	18,334	1,553	5,932	25,820	12,915
Depreciation	14,877	2,789	930	18,596	13,296
Professional services	3,973	1,190	12,301	17,464	37,152
Training and technical assistance	12,519	3,130	1,111	16,759	19,429
Institutional expense	6,160	321	955	7,437	1,106
Bank charges and other fees	-	2,304	4,591	6,895	8,547
Office expense and supplies	2,096	898	-	2,994	5,194
Outside services	2,603	-	-	2,603	1,193
Insurance	498	214	-	712	6,731
Total expenses	\$ 1,020,772	\$ 120,853	\$ 102,858	\$ 1,244,483	\$ 1,230,706
Percentage of total expenses	82%	10%	8%	100%	100%

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STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 324,498	\$ (44,512)
Adjustments to reconcile net income to net cash from operating activities		
Depreciation expense	18,596	13,296
(Increase) decrease in assets		
Accounts receivable	(20,447)	(28,747)
Promises to give	(104,133)	101,603
Inventory	(6,840)	(797)
Increase (decrease) in liabilities		
Accounts payable	11,247	(285)
Accrued expenses	9,210	5,377
Deferred revenue	-	(38,594)
Net cash provided (used) by operating activities	232,131	7,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchase) of property and equipment	(45,206)	(6,305)
Purchase of investments	(6,084)	2,329
Loss on disposition of equipment	-	1,093
Net cash provided (used) by investing activities	(51,290)	(2,883)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	180,841	4,458
CASH AND CASH EQUIVALENTS, beginning of year	321,141	316,683
CASH AND CASH EQUIVALENTS, end of year	\$ 501,982	\$ 321,141

EL PORVENIR

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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.

Comparative Financial 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 presentation in conformity with GAAP and, consequently, has not been reported upon in the current auditors' report.

Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2015, dated June 26, 2016, from which the summarized information was derived.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

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.

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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

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.

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).

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

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.

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 U. S. institution up to \$250,000. El Porvenir had uninsured cash balances for the years ended December 31, 2016 and 2015, \$37, 014 and \$41,249 in Nicaragua, and \$177,371 and \$0 in the United States, respectively.

Inventory. Inventory consists principally of stove tops, rope pumps and chimneys and are valued at lower of cost or market using the first-in first-out (FIFO) valuation method. Inventory was \$7,172 and \$332 for the years ended December 31, 2016 and 2015, respectively.

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.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Nicaraguan tax receivable	\$ 8,048	\$ 3,561
Cash advances for building projects	19,763	4,297
Other	1,007	513
Total	<u>\$ 28,818</u>	<u>\$ 8,371</u>

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NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

NOTE 3 – INVESTMENTS

The Board of Directors (the Board) takes fiduciary responsibility in monitoring the investments on a bi-monthly basis. The unrealized loss on investments is due to the market conditions. 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:

	<u>2016</u>	<u>2015</u>
Mutual Funds	\$ 104,449	\$ 98,365

Investment income consisted of the following for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 1,788	\$ 3,381
Unrealized gains (loss) on investments	5,472	(4,570)
Fees and charges	(1,176)	(1,140)
Total investment income	<u>\$ 6,084</u>	<u>\$ (2,329)</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 10,204	\$ 10,204
Building	48,854	48,854
Equipment	11,377	6,030
Vehicles	129,845	89,986
Total property and equipment	200,280	155,074
Accumulated depreciation	(109,690)	(91,094)
Property and equipment, net	<u>\$ 90,590</u>	<u>\$ 63,980</u>

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 \$18,904 and \$19,547 for the years ended December 31, 2016 and 2015, respectively.

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.

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NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

NOTE 6 – NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Water, sanitation, education, reforestation and work trips	\$ 554,608	\$ 293,664
Temporarily restricted net assets	<u>\$ 554,608</u>	<u>\$ 293,664</u>

NOTE 7 – OFFICE LEASE

El Porvenir leases general office space in Broomfield, Colorado under an operating lease which began on November 1, 2015 and expires on October 31, 2017. Rental for the first year of the Term is \$8,340 payable in equal installments of \$695 per month. El Porvenir shall have the option to extend the Term for an additional 24-month period. Rent shall be increased to \$765 per month. Lease expense for the years ending December 31, 2016 and 2015 was \$8,340 and \$10,529 respectively.

Future minimum rental payments and lease payments due during the years ending December 31 are as follows:

<u>Year</u>	<u>Office Lease</u>
2017	<u>\$ 6,950</u>

NOTE 8 – WATERAID AMERICA INC.

For the year ending December 31, 2016, El Porvenir entered into a Cooperation Agreement (Agreement) with WaterAid America (WA) for the period April 1, 2016 through March 31, 2019 for the municipality of Waslala, Nicaragua. The purpose of the Agreement is to increase access to water, sanitation and hygiene in rural communities of Waslala. As of December 31, 2016, El Porvenir had received \$86,597 in WA contributions and expended \$95,465, including \$10,091 in fixed assets. El Porvenir is required to have a separate bank account for the WA contributions and as of December 31, 2016, the balance in this account was \$21,738. WA has agreed to fund 60% of the project in Waslala and the rest of the funding is to be provided by El Porvenir at 20% and local contributions at 20%. As of December 31, 2016, El Porvenir had funded 22% of the costs for the Waslala project.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2015, El Porvenir determined that Value-added tax (VAT) receivables were uncollectible for the years 2013 through 2015 and inventory had become obsolete. This correction resulted in a prior period adjustment of \$43,511. The December 31, 2015 balances were restated as follows:

	<u>Original</u>	<u>Change</u>	<u>Restated</u>
Accounts Receivable	\$ 44,987	\$ (36,616)	\$ 8,371
Inventory	\$ 7,277	\$ (6,895)	\$ 332
Net assets	\$ 582,142	\$ (43,511)	\$ 538,631

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2017, the date which the financial statements were available to be issued. Management did not note any events which require disclosure.

ADDITIONAL INFORMATION

EL PORVENIR

**SCHEDULE OF PROPERTY AND EQUIPMENT
December 31, 2016**

<u>Date Acquired</u>	<u>Description</u>	<u>Original Cost</u>
LAND		
Jan-08	Land	\$ 10,204
OFFICE BUILDINGS		
Jan-08	Building in Managua	\$ 40,815
Jun-14	Building upgrades	6,484
Mar-15	Auditorium	1,555
	Total office buildings	<u>\$ 48,854</u>
EQUIPMENT		
Apr-06	Generator - Briggs 5500 watts 10 HP	\$ 1,236
Jun-08	Generator - Briggs 2500 watts	960
Jan-14	HP CPU	737
Nov-14	Computer- HP Prodesk 400G1	739
Aug-14	Dell computer	746
Jul-15	HP CPU	772
Sep-15	Dell computer	840
Jan-16	Dell computers	3,474
Feb-16	Window air conditioner unit	986
Dec-16	Prodesk	887
	Total equipment	<u>\$ 11,377</u>
VEHICLES		
Feb-07	Yamaha motorcycle (Camoapa)	\$ 2,650
Feb-07	Yamaha motorcycle (San Lorenzo)	1,400
Aug-07	Honda motorcycle (El Sauce)	3,130
Jul-08	Yamaha motorcycle (Wiwili)	3,495
Oct-08	Suzuki (Managua)	13,000
Mar-09	Yamaha motorcycle (Dario)	2,650
Mar-09	Yamaha motorcycle (WIWILI)	3,495
Oct-11	Motorcycle - gray	4,456
Oct-12	Toyota truck	30,861
Apr-12	Motorcycle - blue, program	3,576
Sep-12	Motorcycle - education - Dario	3,576
Oct-12	Motorcycle - reforestation - El Sauce	3,576
Mar-13	Yamaha motorcycle AG-200 - blue - Dario	3,356
Mar-13	Yamaha motorcycle AG 200 - blue - Camoapa	3,356
Mar-13	Yamaha motorcycle AG 200 - blue - San Lorenzo	3,356
Apr-15	Yamaha motorcycle AG - blue	4,053
Jul-16	Toyota Land Cruiser - Managua	31,304
Jun-16	Yamaha motorcycle - azul - Waslala	4,555
Sep-16	Honda motorcycle - negro - Waslala	4,000
	Total vehicles	<u>\$ 129,845</u>