

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Financial Statements
(With Independent Auditors' Report)

June 30, 2016

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.
June 30, 2016

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13
Supplementary information	
Statement of Program Expenses	14
Statement of Functional Expenses	15

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dominican Republic Education and Mentoring Project, Inc.
Milton, Vermont

We have audited the accompanying financial statements of Dominican Republic Education and Mentoring Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

Auditor's 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 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 Dominican Republic Education and Mentoring Project, Inc. as of June 30, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program expenses and schedule of functional expenses on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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.



South Burlington, Vermont

June 9, 2017

VT Reg. No. 92-349

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Statement of Financial Position
For the Year Ended June 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$	414,761
Accounts receivable		24,955
Prepays and other assets		<u>16,589</u>

Total current assets 456,305

Property, land and equipment, net		368,166
Board designated investments		<u>1,021,388</u>

Total assets \$ 1,845,859

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$	29,994
Advance deposits		<u>35,505</u>

Total current liabilities 65,499

Net assets:

Unrestricted		
Undesignated		428,490
Board designated endowment		1,021,388
Temporarily restricted		<u>330,482</u>

Total net assets 1,780,360

Total liabilities and net assets \$ 1,845,859

The accompanying notes are an integral part of these financial statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Statement of Activities
For the Year Ended June 30, 2016

Changes in unrestricted net assets:

Revenue and support:

Contributions	\$ 1,005,361
Service learning trips, net of expenses	95,492
Donated services and materials	243,803
Project service fees	13,371
Special event income, net	225,454
Unrealized loss on investment	(26,063)
Other income	<u>15,091</u>

Total revenue and support 1,572,509

Net assets released from restrictions

Satisfaction of program restrictions 105,517

Total unrestricted support and revenues 1,678,026

Operating expenses

Program services

Montessori preschools	216,910
Youth programs	603,444
Community programs	332,528
Service learning trips	<u>14,864</u>

Total program services 1,167,746

Supporting services

Management and general	101,573
Fundraising	<u>138,451</u>

Total operating expenses 1,407,770

Increase in unrestricted net assets 270,256

Changes in temporarily restricted net assets:

Contributions	205,061
Net assets released from restrictions	<u>(105,517)</u>
Increase in temporarily restricted net assets	<u>99,544</u>

Increase in net assets 369,800

Net assets, beginning 1,410,560

Net assets, ending \$ 1,780,360

The accompanying notes are an integral part of these financial statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Statements of Cash Flows
For the Year Ended June 30, 2016

Cash Flows from Operating Activities

Increase in net assets	\$ 369,800
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities	
Depreciation	40,076
Bad debt expense	1,890
Unrealized loss on investments	26,063
Changes in:	
Accounts receivable	7,303
Prepays and other assets	3,199
Accounts payable and accrued expenses	23,371
Advance deposits	<u>35,505</u>
Net cash provided by operating activities	<u>507,207</u>

Cash Flows from Investing Activities

Purchases of property and equipment	(20,860)
Sale of investments	20,000
Purchase of investments	<u>(366,714)</u>
Net cash used in investing activities	<u>(367,574)</u>

Net increase in cash and cash equivalents 139,633

Cash and Cash Equivalents:

Beginning	<u>275,128</u>
Ending	<u>\$ 414,761</u>

The accompanying notes are an integral part of these financial statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

(1) Nature of Organization

Dominican Republic Education and Mentoring Project, Inc. (the Organization) is a 501(c)(3) non-profit organization that works to improve the education of impoverished youth in the Dominican Republic (DR). Their mission is for all children and youth in the Dominican Republic to have equal opportunities to learn and realize their full potential through transformative education programs that combat the effects of poverty. The Organization believes that learning changes lives, their programs extend from early childhood through young adulthood, empowering at-risk children and youth to create a better future for themselves and their families through high quality education, youth development, and community enrichment. The Organization ensures successful results through careful analysis, a commitment to learning, and continuous improvement. Their innovative approach effectively addresses local needs and can be replicated throughout high poverty global communities. The Organization provides quality education for more than 7,500 children annually through 14 different programs across 27 communities, affecting the lives of more than 10,000 community members.

The Organization's major programs consist of the following:

Montessori Preschools introduce disadvantaged children to superior education to provide a foundation for future life challenges. In addition to academic benefits, this program addresses the children's malnourishment and basic health problems.

Community Programs consist of several public libraries, a mobile library served by two mobile vans, teacher training, community support, public school support, and a birth certificate program that helps document children born in the DR.

Service Learning Trips, also known as Global Connection Groups, are offered to schools worldwide to send students to the DR to complete community service projects. They ensure our local communities receive the support they need, while empowering international volunteers and enhancing their understanding of global citizenship.

Youth Programs, complement and strengthens the educations received in public schools, providing extra hours and individualized attention to students in reading, math, and other subjects. Youth programs consist of Young Stars, Computer Literacy Program, Music Education Program, A Ganar, Deportes Para la Vida, and Summer Schools and Camps.

(2) Summary of Significant Accounting Policies

(a) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

Summary of Significant Accounting Policies (continued)

(b) Basis of presentation

The Organization reports 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.

(c) Cash and cash equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents,

(d) Property, land and equipment

Property, land and equipment are recorded at cost. Acquisitions for more than \$300 and a useful life of more than one year will be capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

(e) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the period in which the support was recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

(f) Board designated investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in equity securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Donated securities are recorded at fair market value on the date of the donation.

(3) Concentration of Credit Risk

The Organization maintains cash account balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses with these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

(4) Concentration of Support

The Organization receives a significant portion of its support from the Zaleski Family Foundation. This funding is received through general contributions and supports operations of the Organization. During the year ended June 30, 2016 the Organization received \$200,000 in contributions from the Zaleski Family Foundation.

(5) Property, Land and Equipment

Property, land and equipment consists of the following as of June 30, 2016:

	<u>Useful life in years</u>	
Land		\$ 44,763
Vehicles	3 - 5	64,694
Equipment	5 - 10	110,757
Building	40	324,580
Furniture	5 - 7	54,966
Books	3	<u>58,552</u>
		658,312
Less accumulated depreciation		<u>(290,146)</u>
Property, land and equipment, net		<u>\$ 368,166</u>

Depreciation expense for the year June 30, 2016 was \$40,076.

(6) Fair Value Measurement of Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In accordance with this framework, the Organization reports its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Organization's valuation techniques.

Level 1 - The most observable level of inputs, is for investments measures at quoted prices in active markets for identical investments as of June 30.

Level 2 - Investments are measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term.

Level 3 - Investments are measured using inputs that are unobservable, and are used in situations for which there is little, if any, market activity for the investment.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

Fair Value Measurement of Investments (continued)

The primary use of fair value measures in the Organization's financial statements is for the recurring measurement of investments. When available, the Organization's measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not always available for the assets and liabilities that the Organization's is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The Organization did not transfer any investments between levels 1, 2 and 3 during the year.

The fair value of the Organization's long-term investments is determined by the closing price on the last business day of the year as determined by level 1 inputs. Long-term investments consist of money market funds and mutual funds as follows at June 30, 2016:

	Cost	Fair Market Value	Unrealized Loss
Money market funds	\$ 745,603	\$ 745,603	\$ -
Mutual funds	<u>300,075</u>	<u>275,785</u>	<u>(24,290)</u>
	<u>\$ 1,045,678</u>	<u>\$ 1,021,388</u>	<u>\$ (24,290)</u>

The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks.

(7) Board Designated Funds

The board designated funds consists of unrestricted net assets that the Board of Directors has chosen to hold as designated funds to be used for future operations. The Board has not yet formulated its return objectives and risk parameters. The Board's objective is to grow the fund assets and use the funds for operations as needed.

Changes in unrestricted net assets that are board designated consist of the following for the year ended June 30, 2016:

Beginning balance	\$ 780,633
Contributions	279,217
Transfers out	(20,000)
Investment income	7,601
Change in market value	<u>(26,063)</u>
Ending balance	<u>\$ 1,021,388</u>

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2016</u>
Abreu development	\$ 86,164
Brugal library	12,152
Callejon park	2,569
Community support	53,455
DREAM mobile library	71,160
Montessori programs	14,405
Music program	4,438
Public library	47,855
Summer school & camps	12,116
US Embassy grant	<u>26,168</u>
	<u>\$ 330,482</u>

(9) Foreign Operations

With the exception of a small office in the United States and several special fundraising events, all of the Organization's operations are conducted in the Dominican Republic in local currency – the Dominican Peso (RD\$). Consequently, all Dominican transactions are converted to US dollars when included in the United States accounting records, along with any resulting currency exchange gains or losses at the time of the transaction. The aggregate foreign currency transaction gain or loss included in the change in net assets is less than \$600 for June 30, 2016 and is considered trivial.

The exchange rate changes occurring after the statement of financial position date are also considered trivial.

(10) Donated Services and Materials

Donated services and materials that met the definition for recognition in the financial statements were used as follows:

	<u>2016</u>
Educational material	\$ 20,457
In-kind services	11,053
Pro-bono	<u>212,293</u>
Total	<u>\$ 243,803</u>

Other contributed services received but not recognized cannot be estimated.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

(11) Service Learning Trips

Revenue received for service learning trips is shown net of the direct costs for student housing and meals. For the year ended June 30, 2016, the net activity for service learning trip was \$95,492.

(12) Special Events

The Organization holds special events sponsored by other independent organizations over which the Organization has no control. Hence, the net proceeds received should be reported as support. Special events consisted of the following:

	<u>2016</u>
Other Events:	
Revenue	\$ 7,782
In-kind revenue	6,501
Less:	
In-kind expenses	<u>6,501</u>
	<u>7,782</u>
New York City Event (Sueños):	
Revenue	123,005
In-kind revenue	82,626
Less:	
Direct expenses	23,736
In-kind expenses	<u>82,626</u>
	<u>99,269</u>
Santo Domingo Event:	
Revenue	99,433
In-kind revenue	112,996
Less:	
Direct expenses	18,187
In-kind expenses	<u>112,996</u>
	<u>81,246</u>
Brunch and Auction Event:	
Revenue	11,984
In-kind revenue	9,500
Less:	
Direct expenses	3,842
In-kind expenses	<u>9,500</u>
	<u>8,142</u>

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

Special Events (continued)

Canadian Event:	
Revenue	35,152
In-kind revenue	29,465
Less:	
Direct expenses	6,137
In-kind expenses	<u>29,465</u>
	<u>29,015</u>
 Total special events	 <u>\$ 225,454</u>

(13) Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services in reasonable ratios determined by management.

(14) Income Taxes

The Organization is a non-profit corporation whose revenues are derived primarily from contributions and is not subject to federal or state income taxes. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is liable for taxes on unrelated business income only. There is currently no obligation for unrelated business income tax. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has a classification that is not a private foundation under Section 5099(a)(2).

As evaluated against criteria established by professional standards, management believes there are not significant tax positions requiring accounting recognition in the financial statements. The Organization's federal Forms 990 are generally subject to examination by the Internal Revenue Service for the years ended June 2015, 2014 and 2013.

(15) Commitment and Contingency

The Organization occupies office space in the Dominican Republic under a lease at approximately \$425 per month through July 2019. Rent expense for the year ended June 30, 2016 was \$9,118. Future minimum lease payments in the aggregate and for each of the remaining years under the lease are as follows:

2017	\$ 5,100
2018	5,100
2019	<u>425</u>
	<u>\$ 10,625</u>

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Notes to Financial Statements

June 30, 2016

(16) Related Party

The Organization's President and Chairman of the Board of Directors, is president of the Zaleski Family Foundation. During the year ended June 30, 2016, the Zaleski Family Foundation contributed \$200,000 to the Organization. In addition, the Chairman contributed an additional \$166,667 to the Organization.

(17) Subsequent Events

The Organization has evaluated subsequent events through June 9, 2017, the date that the financial statements are considered available to be issued.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Schedule of Program Expenses
For the Year Ended June 30, 2016

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Montessori preschool programs	\$ 159,586	\$ -	\$ -	\$ 159,586
Youth programs:				
Young stars	109,762	-	-	109,762
Health education (Deportes Para la Vida)	71,688	-	-	71,688
Sumer school camps	141,562	-	-	141,562
Workforce training program (A Ganar)	103,045	-	-	103,045
Music program	74,685	-	-	74,685
Community programs:				
Public libraries	156,198	-	-	156,198
Community action	94,911	-	-	94,911
Parent education	4,661	-	-	4,661
Teacher training	8,143	-	-	8,143
Service learning trips	14,250	-	-	14,250
Supporting services - allocated:				
DREAM Center	38,538	-	-	38,538
Fund Development	26,314	1,890	78,943	107,147
US Office expense	24,991	41,652	16,660	83,303
DR Office expense	16,786	27,977	11,191	55,954
Shared administration costs	86,557	28,852	28,852	144,261
Depreciation	36,069	1,202	2,805	40,076
	<u>\$ 1,167,746</u>	<u>\$ 101,573</u>	<u>\$ 138,451</u>	<u>\$ 1,407,770</u>

See accompanying independent auditors' report.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

Schedule of Functional Expenses
For the Year Ended June 30, 2016

	<u>Montessori Preschools</u>	<u>Youth Programs</u>	<u>Community Programs</u>	<u>Service Learning Trips</u>	<u>DREAM Center</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Bank fees	\$ -	\$ -	\$ 7	\$ -	\$ -	\$ 7	\$ 6,106	\$ 3	\$ 6,116
Brochures and marketing	-	297	5,270	-	671	6,238	1,350	4,860	12,448
Community support	22	9,565	83,969	-	-	93,556	110	-	93,666
Events and trips	1,354	10,716	342	-	309	12,721	731	-	13,452
In-kind goods	3,164	16,596	3,637	-	-	23,397	950	5,400	29,747
Insurance	611	269	-	-	1,876	2,756	-	-	2,756
Meals	12,642	28,690	2,313	-	5,646	49,291	1,024	3	50,318
Medical	54	295	463	-	134	946	-	-	946
Occupancy	-	1,990	-	-	-	1,990	7,128	-	9,118
Office supplies	80	94	-	-	669	843	3,905	-	4,748
Payroll and related	121,095	152,396	25,476	-	11,130	310,097	75,810	68,141	454,048
Phone and internet	7	1,250	469	-	1,898	3,624	4,543	1,233	9,400
Postage and shipping	7	367	5,137	-	6	5,517	312	15	5,844
Printing and copying	121	4,775	239	-	17	5,152	1,802	110	7,064
Professional fees	-	66	6,164	-	2,267	8,497	17,720	-	26,217
Pro bono	545	164,610	3,530	14,250	-	182,935	12,663	16,695	212,293
Repairs and maintenance	5,104	3,031	958	-	6,807	15,900	1,001	-	16,901
School supplies	5,188	14,862	106,699	-	2,725	129,474	-	-	129,474
Staff development	773	895	60	-	-	1,728	170	-	1,898
Travel and transportation	5,912	36,171	8,425	-	2,212	52,720	2,027	6,200	60,947
Uniforms	2,496	10,571	-	-	1,304	14,371	-	-	14,371
Utilities	321	29	-	-	579	929	1,740	-	2,669
Volunteers	90	38,715	8,279	-	286	47,370	2,055	2,597	52,022
Overhead allocation	51,002	98,758	50,394	-	(38,536)	161,618	(40,776)	30,389	151,231
Depreciation	6,322	8,436	20,697	614	-	36,069	1,202	2,805	40,076
Total expenses	\$ 216,910	\$603,444	\$ 332,528	\$ 14,864	\$ -	\$1,167,746	\$ 101,573	\$ 138,451	\$1,407,770

**

** These expenses have been allocated throughout the other programs