

EL PORVENIR

**Financial Statements
Years Ending December 31, 2017 and 2016**

EL PORVENIR
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INDEPENDENT AUDITORS' REPORT

Board of Directors
El Porvenir
Broomfield, Colorado

We have audited the accompanying financial statements of El Porvenir (the Organization), which comprise the statement of financial position as of December 31, 2017, 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 Organization'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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clausen + Associates

**Certified Public Accountants
April 27, 2018**

EL PORVENIR

STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31,	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 423,835	\$ 501,982
Investments (Note 3)	116,937	104,449
Accounts receivable, net (Note 2)	43,562	28,818
Promises to give, short-term	91,974	215,302
Inventory	7,119	7,172
Total current assets	<u>683,427</u>	<u>857,723</u>
PROPERTY AND EQUIPMENT, NET (Note 4)	<u>176,279</u>	<u>90,590</u>
TOTAL ASSETS	<u>\$ 859,706</u>	<u>\$ 948,313</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,161	\$ 17,804
Accrued expenses	78,402	67,380
Total current liabilities	<u>102,563</u>	<u>85,184</u>
NET ASSETS		
Unrestricted	507,298	308,521
Temporarily restricted (Note 6)	249,845	554,608
Total net assets	<u>757,143</u>	<u>863,129</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 859,706</u>	<u>\$ 948,313</u>

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STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2017	2016
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND GAINS		
Contributions	\$ 453,329	\$ 436,934
Work trips	167,196	221,940
Local contributions	21,984	16,682
Other	103,573	18,457
Donated services	15,565	18,904
Investment income, net	-	612
Total unrestricted support and revenue	<u>761,647</u>	<u>713,529</u>
EXPENSES		
Program services	1,311,396	1,020,772
Supporting activities		
General and administrative	149,145	120,853
Fundraising	131,761	102,858
Total supporting activities	<u>280,906</u>	<u>223,711</u>
Total expenses and losses	<u>1,592,302</u>	<u>1,244,483</u>
OTHER GAINS AND LOSSES		
Unrealized gain (loss) on investments	10,507	5,472
Gain (loss) on foreign exchange	27,282	18,158
Total other gains and losses	<u>37,789</u>	<u>23,630</u>
Net assets released from restrictions	<u>382,117</u>	<u>140,126</u>
Change in unrestricted net assets	<u>(410,749)</u>	<u>(367,198)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	592,664	745,225
WaterAid - Waslala Project (Note 8)	94,216	86,597
Net assets released from restrictions	<u>(382,117)</u>	<u>(140,126)</u>
Change in temporarily restricted net assets	<u>304,763</u>	<u>691,696</u>
Change in net assets	<u>(105,986)</u>	<u>324,498</u>
NET ASSETS, beginning of year	<u>863,129</u>	<u>538,631</u>
NET ASSETS, end of year	<u>\$ 757,143</u>	<u>\$ 863,129</u>

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STATEMENTS OF FUNCTIONAL EXPENSES

(with Summarized Comparative Totals for Year Ended December 31, 2016)

	Program Services	Management and General	Fundraising	Total	
				2017	Summarized 2016
Water and sanitation materials and supplies	\$ 430,056	\$ -	\$ -	\$ 430,056	\$ 276,838
Waslala Project	127,823	12,724	-	140,547	85,374
Work trips	151,931	-	-	151,931	165,829
Reforestation materials and supplies	65,273	-	-	65,273	48,914
Health and hygiene education	43,264	-	-	43,264	48,490
Salaries and wages	255,712	55,938	52,552	364,202	312,089
Payroll taxes and benefits	99,512	28,091	18,512	146,115	123,200
Travel	53,148	12,965	10,736	76,849	39,083
Utilities	18,019	6,568	12,105	36,692	45,386
Other expenses	9,909	8,684	9,531	28,124	25,820
Depreciation	18,733	3,512	1,171	23,416	18,596
Professional services	7,969	1,790	13,412	23,171	17,464
Institutional expense	9,563	11,496	1,899	22,958	7,437
Outside services	18,187	-	-	18,187	2,603
Office expense and supplies	2,297	125	8,378	10,800	2,994
Bank charges and other fees	-	6,604	929	7,533	6,895
Insurance	-	648	2,536	3,184	712
Training and technical assistance	-	-	-	-	16,759
Total expenses	<u>\$ 1,311,396</u>	<u>\$ 149,145</u>	<u>\$ 131,761</u>	<u>\$ 1,592,302</u>	<u>\$ 1,244,482</u>
Percentage of total expenses	82%	10%	8%	100%	100%

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STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (105,986)	\$ 324,498
Adjustments to reconcile net income to net cash from operating activities		
Depreciation expense	23,417	18,596
(Increase) decrease in assets		
Accounts receivable	(14,744)	(20,447)
Promises to give	123,328	(104,133)
Inventory	53	(6,840)
Increase (decrease) in liabilities		
Accounts payable	6,357	11,247
Accrued expenses	11,022	9,210
Net cash provided (used) by operating activities	43,447	232,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchase) of property and equipment	(109,106)	(45,206)
Purchase of investments	(12,488)	(6,084)
Net cash provided (used) by investing activities	(121,594)	(51,290)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(78,147)	180,841
CASH AND CASH EQUIVALENTS, beginning of year	501,982	321,141
CASH AND CASH EQUIVALENTS, end of year	\$ 423,835	\$ 501,982

EL PORVENIR

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2016, dated April 29, 2017, from which the summarized information was derived.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016

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 is subject to some credit risk through short-term cash investments which are placed with high credit quality financial institutions. At times cash equivalents may exceed the FDIC limits and other insured limits. For the years ending December 31, 2017 and 2016, El Porvenir had cash balances that exceeded insured limits of \$132,631 and \$37,014 in Nicaragua, and \$12,593 and \$177,371 in the United States, respectively.

Inventory. Inventory consists principally of stove tops, rope pumps and chimneys and is valued at lower of cost or market using the first-in first-out (FIFO) valuation method. Inventory was \$7,119 and \$7,172 for the years ended December 31, 2017 and 2016, 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.

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NOTES TO FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Nicaraguan tax receivable	\$ -	\$ 8,048
Cash advances for building projects	-	19,763
Work trips	37,638	-
Other	5,924	1,007
Total	<u>\$ 43,562</u>	<u>\$ 28,818</u>

NOTE 3 – INVESTMENT RESERVE FUNDS

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>2017</u>	<u>2016</u>
Mutual Funds	<u>\$ 116,937</u>	<u>\$ 104,449</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 690	\$ 1,788
Unrealized gain (loss) on investments	10,507	5,472
Fees and charges	(1,334)	(1,176)
Total investment income	<u>\$ 9,863</u>	<u>\$ 6,084</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 22,470	\$ 10,204
Building	120,711	48,854
Equipment	15,937	11,377
Vehicles	148,869	129,845
Total property and equipment	307,987	200,280
Accumulated depreciation	(131,708)	(109,690)
Property and equipment, net	<u>\$ 176,279</u>	<u>\$ 90,590</u>

The increase in land and building assets was due to a donation of two houses from another non-profit organization in Nicaragua.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 \$15,565 and \$18,904 for the years ended December 31, 2017 and 2016, 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.

NOTE 6 – NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Water, sanitation, education, reforestation and work trips	\$ 249,845	\$ 554,608
Temporarily restricted net assets	<u>\$ 249,845</u>	<u>\$ 554,608</u>

NOTE 7 – OFFICE LEASE

El Porvenir leased two general office suites in Broomfield, Colorado under an operating lease which began on November 1, 2015. In May, 2017, El Porvenir dropped one of the suites without penalty and a new lease agreement was signed beginning June 1, 2017 and expires on May 31, 2020. El Porvenir does not have the option to extend the term of the lease. Lease expense for the years ending December 31, 2017 and 2016 was \$6,450 and \$8,340 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>
2018	\$ 5,100
2019	5,275
2020	2,250
<u>Total</u>	<u>\$ 12,625</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 8 – WATERAID AMERICA INC.

El Porvenir entered into a Cooperation Agreement (Agreement) with WaterAid America (WAA) 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, 2017, and 2016, El Porvenir had received \$224,695 and \$291,209, respectively, towards the Waslala project, of which \$200,594 has come from WAA. The Waslala project has expended a total of \$285,078 for the years ending December 31, 2017 and 2016, including \$22,676 fixed assets. El Porvenir is required to have a separate bank account for the WAA contributions and as of December 31, 2017 and 2016, the balance in this account was \$67,689 and \$21,738, respectively. WAA 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, 2017 and 2016, El Porvenir had funded 33% and 22%, respectively, of the costs for the Waslala project.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 27, 2018, the date which the financial statements were available to be issued.