



EL PORVENIR

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

EL PORVENIR

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INDEPENDENT AUDITORS' REPORT

Board of Directors
El Porvenir
Broomfield, Colorado

Opinion

We have audited the accompanying financial statements of El Porvenir, which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of El Porvenir, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about El Porvenir's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
El Porvenir
Broomfield, Colorado

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 El Porvenir's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EL Porvenir's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Colorado Springs, Colorado
July 12, 2023

EL PORVENIR

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 290,972	\$ 181,344
Investments	178,491	299,567
Investments held for others	35,654	26,116
Promises to give and other receivables	81,634	113,560
Inventory and other assets	8,365	10,045
Operating lease–right-of-use assets	46,409	-
Property and equipment–net	<u>108,662</u>	<u>138,410</u>
Total Assets	<u>\$ 750,187</u>	<u>\$ 769,042</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 125,360	\$ 138,323
Refundable advances on grants	192,046	94,211
Amounts held for others	35,654	26,116
Operating lease obligations	<u>46,409</u>	<u>-</u>
Total liabilities	<u>399,469</u>	<u>258,650</u>
Net assets:		
Without donor restrictions	159,884	295,981
With donor restrictions	<u>190,834</u>	<u>214,411</u>
Total net assets	<u>350,718</u>	<u>510,392</u>
Total Liabilities and Net Assets	<u>\$ 750,187</u>	<u>\$ 769,042</u>

See notes to financial statements

EL PORVENIR

Statements of Activities

	For the Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,474,267	\$ 146,187	\$ 1,620,454	\$ 1,728,517	\$ 214,411	\$ 1,942,928
Donated construction materials	22,475	-	22,475	28,263	-	28,263
Other income (loss)	(30,371)	-	(30,371)	43,973	-	43,973
Gain on extinguishment of debt	-	-	-	63,188	-	63,188
Total Support and Revenue	1,466,371	146,187	1,612,558	1,863,941	214,411	2,078,352
NET ASSETS RELEASED:						
From purpose restrictions	169,764	(169,764)	-	319,738	(319,738)	-
EXPENSES:						
Program services:	1,423,637	-	1,423,637	1,819,912	-	1,819,912
Supporting activities:						
General and administrative	209,521	-	209,521	234,078	-	234,078
Fundraising	123,545	-	123,545	185,183	-	185,183
	333,066	-	333,066	419,261	-	419,261
Total Expenses	1,756,703	-	1,756,703	2,239,173	-	2,239,173
Change in Net Assets Before						
Foreign Currency Translation	(120,568)	(23,577)	(144,145)	(55,494)	(105,327)	(160,821)
Foreign Currency Translation Adjustments	(15,529)	-	(15,529)	(26,067)	-	(26,067)
Change in Net Assets	(136,097)	(23,577)	(159,674)	(81,561)	(105,327)	(186,888)
Net Assets, Beginning of Year	295,981	214,411	510,392	377,542	319,738	697,280
Net Assets, End of Year	\$ 159,884	\$ 190,834	\$ 350,718	\$ 295,981	\$ 214,411	\$ 510,392

See notes to financial statements

EL PORVENIR

Statements of Functional Expenses

Year Ended December 31, 2022				
Program Services	Supporting Activities:			Total
	General and Administrative	Fundraising		
Project materials and supplies	\$ 754,855	\$ -	\$ -	\$ 754,855
Salaries and benefits	461,644	107,435	94,366	663,445
Travel and vehicles	83,355	7,059	3,433	93,847
Professional services	11,300	37,648	13,583	62,531
Occupancy	47,167	9,040	5,591	61,798
Education	46,727	-	-	46,727
Office expense, supplies, and other	18,589	7,740	6,572	32,901
Depreciation	-	22,286	-	22,286
Bank charges and other fees	-	18,313	-	18,313
Total Expenses	\$ 1,423,637	\$ 209,521	\$ 123,545	\$ 1,756,703

Year Ended December 31, 2021				
Program Services	Supporting Activities:			Total
	General and Administrative	Fundraising		
Project materials and supplies	\$ 1,152,932	\$ -	\$ -	\$ 1,152,932
Salaries and benefits	434,487	113,346	111,079	658,912
Travel and vehicles	70,946	8,382	1,588	80,916
Professional services	54,250	22,976	38,407	115,633
Occupancy	35,966	20,328	13,745	70,039
Education	68,419	4,648	2,914	75,981
Office expense, supplies, and other	2,912	14,281	13,829	31,022
Depreciation	-	35,095	-	35,095
Bank charges and other fees	-	15,022	3,621	18,643
Total Expenses	\$ 1,819,912	\$ 234,078	\$ 185,183	\$ 2,239,173

See notes to financial statements

EL PORVENIR

Statements of Cash Flows

	For the Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (159,674)	\$ (186,888)
Foreign currency translation adjustments	15,529	26,067
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Reinvested dividends	(326)	(11,868)
Loss on sale of investments	36,284	858
Depreciation and amortization	22,106	35,095
Gain on extinguishment of debt	-	(63,188)
Change in operating assets and liabilities:		
Promises to give and other receivables	31,926	(96,102)
Inventory and other assets	1,680	(5,798)
Accounts payable and accrued expenses	(12,963)	(9,785)
Refundable advances on grants	97,835	94,211
Amounts held for others	9,538	26,116
Net Cash Provided (Used) by Operating Activities	<u>41,935</u>	<u>(191,282)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,147)	(14,850)
Purchases of investments	(14,018)	-
Proceeds from investments	89,598	-
Net Cash Provided (Used) by Investing Activities	<u>71,433</u>	<u>(14,850)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	31,611
Net Cash Provided by Financing Activities	<u>-</u>	<u>31,611</u>
Effect of Exchange Rate Changes on Cash	(3,740)	3,959
Net Change in Cash and Cash Equivalents	109,628	(170,562)
Cash and Cash Equivalents, Beginning of Year	<u>181,344</u>	<u>351,906</u>
Cash and Cash Equivalents, End of Year	<u>\$ 290,972</u>	<u>\$ 181,344</u>
SUPPLEMENTAL DISCLOSURE:		
Operating lease–right-of-use assets obtained in exchange for operating lease obligations	<u>\$ 58,998</u>	<u>\$ -</u>

See notes to financial statements

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Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

El Porvenir is a nonprofit corporation organized under the laws of the State of California. The purpose of El Porvenir is to help empower rural Nicaraguan communities to improve their living standards through the sustainable development of clean water, sanitation, cooking systems, health education, reforestation and watershed management projects.

El Porvenir is operated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and comparable state laws. However, El Porvenir is subject to federal income tax on any unrelated business taxable income. El Porvenir is not a private foundation under Section 509(a) of the IRC. El Porvenir's primary source of support and revenue is from contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

El Porvenir maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents contain checking accounts, savings accounts, and highly liquid investments with original maturities of three months or less. As of December 31, 2022 and 2021, the amount exceeding the federally insured limits was approximately \$37,500 and \$19,200, respectively.

INVESTMENTS

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in the statements of activities. Investments acquired by gift are recorded at their fair value at the date of gift and thereafter reported in accordance with the above provisions. Certificates of deposit are carried at cost, plus any accrued interest.

PROMISES TO GIVE

Unconditional promises to give are recognized as assets and support in the period made. Promises to give are expected to be received within one year. El Porvenir expects that the entire amount will be collectible; thus, there is no allowance for doubtful accounts recorded as of December 31, 2022 and 2021.

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Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING LEASE - RIGHT OF USE ASSETS AND OBLIGATIONS

El Porvenir adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standards below) and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets and operating lease obligations both totaling \$46,409 as of December 31, 2022. El Porvenir elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating any prior-year amounts. The additional lease disclosures can be found in Note 6.

PROPERTY AND EQUIPMENT—NET

Property and equipment is recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, El Porvenir reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is computed on the straight-line method over the estimated useful lives (currently three to forty years) of the related assets. El Porvenir capitalizes fixed asset purchases exceeding \$500, with lesser amounts expensed in the year purchased.

REFUNDABLE ADVANCES ON GRANTS

Refundable advances on grants consist of grant proceeds that were received by El Porvenir that have not been earned as of December 31, 2022 and 2021; therefore, they are not recognized as income until the grants are earned, which is when they are spent on the associated project.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of management for use in El Porvenir's operations.

Net assets with donor restrictions are restricted by donors for specific operating purposes or until time restrictions have been met.

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Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is satisfied in the same time period in which the contribution is received, El Porvenir reports the support without donor restrictions. El Porvenir reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, El Porvenir reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Donated construction materials consist of materials to be used in the ministry that were donated to El Porvenir during the years ended December 31, 2022 and 2021 and used in the programs of El Porvenir. All contributions are recorded at the estimated fair value at the date of donation, based on retail or wholesale values and reported at the carrying amount thereafter. No donor imposed restrictions were associated with these contributed assets.

Other income consists of interest income, realized and unrealized gains and losses on investments, and miscellaneous income. It is recorded when earned, or when performance obligations are satisfied.

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of activities and functional expenses report certain categories of expenses that are attributable to program or support activities of El Porvenir. These expenses include occupancy and depreciation, which are allocated based on usage. Salaries and benefits are allocated based on time and effort, and costs of other categories are allocated based on the purpose of the expense.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In fiscal year 2022, El Porvenir adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

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Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS, continued

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. El Porvenir adopted this update for the year ended December 31, 2022. El Porvenir's contracts contain the right to control the use of property or assets and are therefore considered leases. El Porvenir elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. El Porvenir also elected to exclude leases with terms of less than 12 months. The additional lease disclosures can be found in Note 6.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects El Porvenir's financial assets reduced by amounts not available for general use because of contractual, donor-imposed restrictions, or board designations within one year of the statement of financial position date:

	December 31,	
	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 290,972	\$ 181,344
Investments	178,491	299,567
Investments held for others	35,654	26,116
Promises to give and other receivables	81,634	113,560
	<u>586,751</u>	<u>620,587</u>
Less those unavailable for general expenditures within one year due to:		
Investments held for others	<u>(35,654)</u>	<u>(26,116)</u>
	<u>\$ 551,097</u>	<u>\$ 594,471</u>

El Porvenir structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through board meetings and detailed financial analysis.

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Notes to Financial Statements

December 31, 2022 and 2021

4. FAIR VALUE MEASUREMENTS:

El Porvenir uses appropriate valuation techniques to determine fair value based on inputs available. When available, El Porvenir measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following table displays the fair values of assets measured on a recurring basis, using quoted prices in active markets for identical assets (Level 1):

	December 31,	
	2022	2021
Investments and assets held at fair value:		
Fixed income bond funds	\$ 94,646	\$ 210,782
Equity exchange-traded and mutual funds	95,254	78,522
	<u>189,900</u>	<u>289,304</u>
Investments and assets held at other than fair value:		
Certificates of deposit	19,605	30,194
Money market accounts	4,640	6,185
	<u>24,245</u>	<u>36,379</u>
Total investments and investments held for others	<u>\$ 214,145</u>	<u>\$ 325,683</u>

5. INVESTMENTS:

Investments consist of the following and are reported as investments and investments held for others on the statements of financial position:

	December 31,	
	2022	2021
Fixed income bond funds	\$ 94,646	\$ 210,782
Equity exchange-traded and mutual funds	95,254	78,522
Certificates of deposit	19,605	30,194
Money market accounts	4,640	6,185
	<u>\$ 214,145</u>	<u>\$ 325,683</u>

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Notes to Financial Statements

December 31, 2022 and 2021

6. OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

El Porvenir leases office space under 6 noncancelable operating leases. These leases expire at various dates through 2027. The discount rate represents the incremental borrowing discount rate using a period comparable with that of the individual lease term as of adoption date. Monthly payments under this lease totals \$1,611 with discount rates ranging from 2.66%-9.5%.

	<u>December 31, 2022</u>
Operating lease right-of-use assets	\$ 46,409
Operating lease liabilities	\$ 46,409
Operating lease costs	\$ 16,857
Weighted-average discount rate	8.44%
Weighted-average remaining lease term	2.90 years

Future minimum lease payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 19,332
2024	15,867
2025	8,760
2026	5,520
2027	4,600
	<u>54,079</u>
Less imputed interest	<u>(7,670)</u>
	<u>\$ 46,409</u>

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, El Porvenir was applying Topic 840 in relation to operating leases. For the comparable period El Porvenir had operating lease expenses of \$19,800 during the year ended December 31, 2021.

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Notes to Financial Statements

December 31, 2022 and 2021

7. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of:

	December 31,	
	2022	2021
Land	\$ 11,646	\$ 12,067
Buildings and Improvements	81,981	82,003
Furniture and Equipment	35,462	35,388
Vehicles	180,021	186,529
	<u>309,110</u>	<u>315,987</u>
Less accumulated depreciation	<u>(200,448)</u>	<u>(177,577)</u>
	<u>\$ 108,662</u>	<u>\$ 138,410</u>

8. AMOUNTS HELD FOR OTHERS:

Amounts held for others consist of Nicaraguan retirement accounts included in the investments held for others on the statements of financial position. As of December 31, 2022 and 2021, \$35,654 and \$26,116 was held for others, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	December 31,	
	2022	2021
Time-restricted promises to give	\$ 80,824	\$ 111,500
Program services	<u>110,010</u>	<u>102,911</u>
	<u>\$ 190,834</u>	<u>\$ 214,411</u>

10. RETIREMENT PLAN:

El Porvenir provides retirement benefits to its U.S. employees through a 401(k) retirement plan after six months of employment. Employer matching depends on employee contributions with a maximum employer match up to 2%. El Porvenir also makes contributions to retirement savings for its employees in Nicaragua. Total retirement contributions made by El Porvenir during the years ended December 31, 2022 and 2021, were \$14,108 and \$13,503, respectively.

11. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2022 and 2021, El Porvenir received donations from board members totaling approximately \$60,700 and \$55,600, respectively.

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Notes to Financial Statements

December 31, 2022 and 2021

12. DONOR CONCENTRATION:

During the years ended December 31, 2022 and 2021, donations from El Porvenir's five largest donors provided 35% and 33% of El Porvenir's total support and revenue, respectively.

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 12, 2023, which is the date the financial statements were available to be issued.