

**Safe Passage and
Camino Seguro**

Financial Report

June 30, 2010

CONTENTS

Independent Auditors' Report	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

Independent Auditors' Report

Board of Directors
Safe Passage and Camino Seguro
Yarmouth, Maine

We have audited the accompanying consolidated statement of financial position of Safe Passage (a nonprofit corporation) and Camino Seguro (a nonprofit organization) as of June 30, 2010 and the related consolidated statements of activities, functional expenses and cash flows for the eighteen-month period then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements as of and for the year ended December 31, 2008, and, in our report dated July 24, 2009, we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Safe Passage and Camino Seguro as of June 30, 2010 and the consolidated changes in net assets and cash flows for the eighteen-month period then ended in conformity with accounting principles generally accepted in the United States of America.



South Portland, Maine
November 22, 2010

Consolidated Statements of Financial Position

June 30, 2010 and December 31, 2008

	2010	2008
ASSETS		
Current Assets		
Cash	\$ 486,842	\$ 350,562
Contributions receivable - current portion	193,694	124,729
Prepaid expenses	<u>3,122</u>	<u>3,544</u>
Total Current Assets	<u>683,658</u>	<u>478,835</u>
Property and Equipment		
Buildings and land improvements	887,127	890,116
Furniture, fixtures, and equipment	126,493	83,747
Vehicles	<u>129,188</u>	<u>139,387</u>
	1,142,808	1,113,250
Accumulated depreciation	<u>(238,205)</u>	<u>(180,661)</u>
	904,603	932,589
Land	<u>64,814</u>	<u>69,931</u>
	969,417	1,002,520
Other Assets		
Investments	2,825,337	2,423,230
Contributions receivable - net of current portion	150,000	24,940
Loans receivable	<u>4,916</u>	<u>39,538</u>
	2,980,253	2,487,708
Total Assets	<u>\$ 4,633,328</u>	<u>\$ 3,969,063</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 26,705	\$ 1,832
Due to support groups	61,481	32,104
Due to sponsored children	18,740	14,251
Accrued payroll and severance	<u>127,728</u>	<u>41,740</u>
Total Current Liabilities	<u>234,654</u>	<u>89,927</u>
Net Assets		
Unrestricted		
Undesignated	1,487,977	1,202,895
Board designated	<u>1,538,113</u>	<u>1,423,377</u>
Total unrestricted	3,026,090	2,626,272
Temporarily restricted	330,425	196,521
Permanently restricted	<u>1,042,159</u>	<u>1,056,343</u>
	4,398,674	3,879,136
Total Liabilities and Net Assets	<u>\$ 4,633,328</u>	<u>\$ 3,969,063</u>

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Activities

Eighteen-Month Period Ended June 30, 2010
(with summarized comparative totals for the year ended December 31, 2008)

	2010			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Operating Activities					
Support and Revenues					
Contributions	\$ 1,918,030	\$ 311,155		\$ 2,229,185	\$1,130,203
Sponsorships	1,026,130			1,026,130	598,580
Other income	41,681			41,681	52,376
Loss on currency translation	(92,777)			(92,777)	(12,650)
Endowment income utilized in operations	170,194			170,194	115,000
Net assets released after satisfaction of restrictions	177,251	(177,251)			
Net assets released from restriction by donor	9,000		\$ (9,000)		
Total Support and Revenues	3,249,509	133,904	(9,000)	3,374,413	1,883,509
Operating Expenses and Losses					
Program	2,309,161			2,309,161	1,175,731
Administrative	466,990			466,990	299,154
Fundraising	291,115			291,115	326,437
Total Expenses	3,067,266			3,067,266	1,801,322
Change in Net Assets from Operations	182,243	133,904	(9,000)	307,147	82,187
Non-Operating Activities					
Board designated contributions	41,506			41,506	189,807
Endowment contributions			816	816	9,016
Loss on loan receivable					(39,539)
Loss on endowment contribution receivable			(6,000)	(6,000)	
Investment income	176,069	170,194		346,263	152,485
Net assets released	170,194	(170,194)			
Endowment income utilized in operations	(170,194)			(170,194)	(115,000)
Gain on sale of property and equipment					36
Change in Net Assets from Non-Operating Activities	217,575		(5,184)	212,391	196,805
Total Change in Net Assets	399,818	133,904	(14,184)	519,538	278,992
Net Assets, Beginning of Year	2,626,272	196,521	1,056,343	3,879,136	3,600,144
Net Assets, End of Year	\$ 3,026,090	\$ 330,425	\$ 1,042,159	\$ 4,398,674	\$3,879,136

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Functional Expenses

Eighteen-Month Period Ended June 30, 2010

(with summarized comparative totals for the year ended December 31, 2008)

	Program	Supporting Services			2010	2008
		Administrative	Fundraising	Total	Total	Total
Salaries, taxes and benefits	\$ 931,840	\$ 246,605	\$ 149,837	\$ 396,442	\$ 1,328,282	\$ 785,321
Medical and family assistance	72,932	61		61	72,993	27,418
Professional services	90,934	88,193	16,478	104,671	195,605	74,365
In-kind food, supplies and materials	322,882	2,240	7,603	9,843	332,725	87,669
School expenses	184,252				184,252	107,797
After school activities and supplies	57,160	88		88	57,248	55,634
Repairs and maintenance	58,568	10	114	124	58,692	47,901
Rent and security	84,896	19,683	13,980	33,663	118,559	97,823
Utilities	39,026	7,921	1,465	9,386	48,412	29,197
Food and drinking water	105,734	403	55	458	106,192	33,959
Travel and transportation	115,498	15,077	18,396	33,473	148,971	107,660
Minor furniture and equipment	46,981	4,204	3,154	7,358	54,339	54,856
Telephone and communications	29,910	7,893	5,494	13,387	43,297	34,122
Other	11,536	1,485		1,485	13,021	7,824
Insurance	6,970	5,313	1,496	6,809	13,779	13,308
Printing, postage and office supplies	29,608	6,933	15,160	22,093	51,701	59,655
Staff recruitment and development	18,791	23,046	3,141	26,187	44,978	16,556
Fundraising	1,374		54,732	54,732	56,106	79,859
Bank fees and services charges	16	30,152	10	30,162	30,178	22,997
Depreciation	100,253				100,253	57,401
Bad debt		7,683		7,683	7,683	
	<u>\$ 2,309,161</u>	<u>\$ 466,990</u>	<u>\$ 291,115</u>	<u>\$ 758,105</u>	<u>\$ 3,067,266</u>	<u>\$1,801,322</u>

See accompanying independent auditors' report.

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

Consolidated Statements of Cash Flows

Eighteen-Month Period Ended June 30, 2010

(with summarized comparative totals for the year ended December 31, 2008)

	2010	2008
Cash flows from operating activities		
Change in net assets	<u>\$ 519,538</u>	<u>\$ 278,992</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	100,253	57,401
Bad debt expense	13,683	43,706
Gain on sale of property and equipment		(36)
Realized and unrealized gains on investments	(280,984)	(125,149)
Endowment contributions	(816)	(9,016)
Loss on foreign currency translation	84,715	
(Increase) decrease in operating assets:		
Contributions receivable	(206,949)	273,555
Prepaid expenses	163	7,994
Other assets		7,020
Increase (decrease) in operating liabilities:		
Accounts payable	24,873	(5,881)
Due to support groups and children	26,073	6,664
Accrued payroll and severance	88,784	4,077
Total adjustments	<u>(150,205)</u>	<u>260,335</u>
Net cash provided by operating activities	<u>369,333</u>	<u>539,327</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment		526
Purchases of property and equipment	(140,505)	(43,816)
Purchase of investments	(303,468)	(559,252)
Proceeds from sale of investments	182,345	133,204
Collection of loan receivable	31,729	14,211
Net cash used in investing activities	<u>(229,899)</u>	<u>(455,127)</u>
Cash flows from financing activities		
Collection of endowment contributions	57	55,250
Net cash provided by financing activities	<u>57</u>	<u>55,250</u>
Effect of foreign currency translation on cash	<u>(3,211)</u>	
Net change in cash	136,280	139,450
Cash at beginning of period	<u>350,562</u>	<u>211,112</u>
Cash at end of period	<u><u>\$ 486,842</u></u>	<u><u>\$ 350,562</u></u>

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Safe Passage is a 501(c)(3) tax-exempt nonprofit corporation in the United States and Camino Seguro is a tax-exempt nonprofit organization registered and operating in Guatemala (hereinafter collectively called the Organization). These two entities represent a humanitarian group that provides educational opportunities to poor children in the country of Guatemala. Founded in 1999 by an American teacher, Safe Passage serves children of families who scavenge for a living at the Guatemala City municipal garbage dump.

The core activities of the Organization are an early education center and an educational reinforcement program that enables the children to attend local schools and provides support and supervision to support students' academic progress through the formal education system and/or organized vocational technical training. Currently, over 500 children from about 300 families are enrolled in local schools with the assistance of Safe Passage. Within Safe Passage, the children, who range in age from two to 20, are provided with support and services that include classes and tutoring, financial aid for school needs, health care, vocational training, and a daily meal. Family needs are attended to by trained social workers and parents are offered literacy classes. Based on a philosophy of self-sufficiency and self-help, children can earn food packages to help out their families by regular attendance at school and educational reinforcement activities.

The Organization's programs are primarily located in Guatemala City and centered at an Early Childhood Center and an Educational Reinforcement Center built with donated funds. The physical plant is equipped and maintained and includes classrooms, a computer lab, library and health clinic. In the city of Antigua, one hour away from Guatemala City, Safe Passage leases space for management and administrative headquarters.

The Organization employs about 75 full and part-time staff of Guatemalan teachers, social workers, and support personnel. This permits concentrated attention to each student. Safe Passage maintains an additional administrative and fundraising staff of four in the United States, located in Yarmouth, Maine.

Paid staff in Guatemala works closely with international and Guatemalan volunteers who make both short and long-term commitments to the Organization. Each year approximately 11 long-term volunteers fill teaching and operational positions and more than 330 short-term volunteers travel to Guatemala from around the U.S. and the world to provide assistance across all areas of the Organization. The impact of volunteers is significant, both in contributing skills and limiting operational costs, and in building a public constituency for the Organization in their respective home countries.

Beneficiaries of the Organization include the children who participate in its educational and related programs as well as family members and the whole community around the garbage dump that benefits from jobs, educational opportunity, reduced crime and social services. Accordingly, almost 1,100 family members, in addition to the 531 children enrolled in the Organization's programs, benefit from the Organization's array of services.

Consolidation

The accompanying consolidated financial statements include the accounts of Safe Passage and Camino Seguro, both of which are under common control. Material intercompany transactions and balances have been eliminated in the consolidation.

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICES – CONTINUED

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. The Organization is required to report information pertaining to its assets and net assets and support, revenues and expenses according to three classes of net assets as follows:

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. The Board of Directors, as allowed by state statute, has appropriated any appreciation and earnings in excess of the spending formula to be classified as unrestricted funds. The Board of Directors has further classified these funds as Board Designated.

The Board also created a fourth designation.

Board Designated Net Assets – Included in the unrestricted net asset category are Board Designated funds consisting of those contributions where the donor has requested that all or part of the principal and interest earned may be spent in any year upon authorization of the Board of Directors. Other surplus unrestricted funds may be added to this fund as the Board of Directors may decide from time to time.

Comparative Financial Statements

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 a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State of Maine Uniform Prudent Management Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers a number of factors in making a determination to appropriate or accumulate donor-restricted endowment funds which are designed to safeguard the principal.

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Contributions Receivable

Unconditional contributions receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Allowance for uncollectible contributions receivable was \$3,000 at June 30, 2010 and December 31, 2008.

Property and Equipment

Property and equipment are stated at cost or, in the case of donated property, at estimated fair value at the date of receipt. The Organization capitalizes property and equipment with a cost, or estimated fair value, of \$1,000, if acquired in the United States, and approximately \$100, if acquired in Guatemala. Depreciation on furniture, fixtures and equipment, and vehicles is calculated on a straight-line basis using estimated useful lives of three to seven years. Buildings and land improvements are depreciated on a straight-line basis over 39 and 15 years, respectively. Land, buildings and the majority of the vehicles, furniture, fixtures and equipment are located in Guatemala.

Investments

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of activities.

The Organization's investment policy and spending policy for permanently restricted endowments and board-designated investments is as follows:

The portfolio will be managed with no less than 40% and no more than the 60% in equities or securities convertible into common stock. Debt securities with maturities greater than one year shall be at least 20% and no more than 60% of the portfolio; the remainder of the fund shall be invested in high quality cash equivalents. The current target allocation for the fund is 50% equities and 50% debt securities, including cash equivalents. Mutual funds and Exchange Traded Funds (ETFs) are permitted. Non-U.S. securities are limited to 25% of the portfolio.

Primary Investment Objective: The Permanent Endowment Fund is perpetual in nature; it must provide for long-term growth in order to create and maintain a growing stream of income to support the needs of Safe Passage over time. Specifically, the Permanent Endowment Fund seeks a long-term average annual inflation adjusted total return in excess of the spending rate adopted by the Board from time to time.

The Investment Committee will recommend the payout for the coming fiscal year to the Board of Directors in November of each year. The annual payout shall be no more than 5% of a rolling three-year average of the market value of the fund as of the last business day of September.

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Non-Operating Activities

Non-operating activities consist of contributions for non-operating purposes such as endowments and board-designated funds, which are designated for long-term sustainability of the Organization. In addition, non-operating activities include gains and losses on investments and other assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues and expenses as net assets released after satisfaction of restrictions.

Contributed Services

The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's programs. Donated services supporting the education and social work programs that met the recognition criteria amounted to \$183,535 for the eighteen-month period ended June 30, 2010, and are included in the statement of activities. No amounts had been reflected in the 2008 financial statements for donated services as they did not meet the criteria for recognition as contributions.

Donated Food, Supplies and Materials

Each year, certain food, supplies and materials have been donated in-kind to the Organization. The estimated fair value of these materials has been reflected in the accompanying financial statements as contributions with a like amount included in program and supporting services expenses.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Foreign Currency Translation

The Guatemalan quetzal is the functional currency for the Organization's programs. All amounts in these financial statements are reflected in U.S. dollars. All statement of financial position accounts have been translated using an exchange rate representative of the exchange rate in effect at the statement of financial position dates. The foreign currency translation adjustment is recorded in the statement of activities. The translation adjustment also includes gains and losses due the change in the value of various foreign currencies in relation to the U.S. dollar resulting from contributions received and cash transfers to fund the operations of the Organization in Guatemala, which amounted to a loss of \$8,062 for the eighteen-month period ended June 30, 2010 and \$12,650 for the year ended December 31, 2008. The accumulated foreign currency translation adjustments amounted to \$84,715 at June 30, 2010.

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES-- CONTINUED

Income Taxes

Safe Passage is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and Camino Seguro is exempt from income taxes in Guatemala.

Effective January 1, 2009, the Organization adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (as codified by ASC 740, *Income Taxes*). This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. ASC 740 prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There were no adjustments required to the reported tax benefits at July 1, or June 30, 2010, from the adoption of this standard. As a result, there was no cumulative effect related to adoption and no interest or penalties related to uncertain tax positions were accrued. When necessary, the Organization accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2006 through 2009.

Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Money market funds, held as a portion of the Organization's endowment portfolio, are classified as investments for purposes of the statements of cash flows.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (as codified by Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*), a portion of which was effective for the Organization on January 1, 2008. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements about fair value measurements. Pursuant to guidance issued by the FASB in February 2008, the Organization deferred adoption of a portion of this standard related to fair value measurements for nonfinancial assets and liabilities, except for those items recognized or disclosed at fair value (at least annually) until January 1, 2009. The adoption of the remainder of this standard did not have a material effect on the Organization's financial position or results of operations.

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the eighteen-month period ended June 30, 2010 and year ended December 31, 2008, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Reclassifications

Certain reclassifications have been made to the 2008 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Recent Accounting Pronouncements

Codification

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, a replacement of SFAS No. 162. This statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and non-authoritative accounting literature. Effective July 2009, the ASC, also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards for nongovernmental entities.

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 1 – NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES– CONTINUED

Recent Accounting Pronouncements – Continued

Codification – Continued

Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASU) which will not be authoritative in their own right as they will only serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification.

GAAP is not intended to be changed as a result of the Codification, but the ASC does change the way the guidance is organized and presented. The Codification is effective for interim or annual periods ending after September 15, 2009. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the consolidated financial statements.

Subsequent Events

Effective December 29, 2008, the Organization adopted the provisions of SFAS No. 165, *Subsequent Events* (as codified by ASC 855, *Subsequent Events*). This statement incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, with the requirements concerning recognition and disclosure of subsequent events remaining essentially unchanged. This guidance addresses events which occur after the balance sheet date but before the issuance of consolidated financial statements. This standard added an additional required disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the consolidated financial statements were issued. The adoption of this standard did not have a significant impact on the Organization's financial statements. The Organization has evaluated subsequent events through the report date of these financial statements, which represents the date on which the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts located in the United States and Guatemala. Cash maintained in accounts located in the United States, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Cash maintained in accounts located in Guatemala is insured up to approximately \$2,500. The Organization believes it is not exposed to any significant credit risk from cash and cash equivalents.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2010 and December 31, 2008 are as follows:

	2010	2008
Unrestricted, temporarily restricted and board-designated	\$ 340,202	\$ 113,197
Permanent endowment	6,492	40,750
	<u>346,694</u>	<u>153,947</u>
Less unamortized discount (4%)		1,278
Less allowance for uncollectible	3,000	3,000
Net unconditional contributions receivable	<u>\$ 343,694</u>	<u>\$ 149,669</u>

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 3 – CONTRIBUTIONS RECEIVABLE – CONTINUED

	2010	2008
Less than one year	\$ 193,694	\$ 124,729
One to five years	150,000	24,940
	<u>\$ 343,694</u>	<u>\$ 149,669</u>

NOTE 4 – INVESTMENTS

Investments as of June 30, 2010 and December 31, 2008 are as follows:

	2010	2008
Money market funds	\$ 169,201	\$ 402,834
Fixed income	1,486,512	989,702
Equity securities	1,169,624	1,030,694
	<u>\$ 2,825,337</u>	<u>\$ 2,423,230</u>

Investment income is summarized as follows:

	2010	2008
Interest and dividend income	\$ 98,265	\$ 29,440
Net realized and unrealized gains	280,984	125,149
Investment fees	(32,786)	(2,104)
	<u>\$ 346,463</u>	<u>\$ 152,485</u>

NOTE 5 – ENDOWMENT FUNDS

The Organization's endowment fund consists of a donor-restricted fund and a fund designated by the Board of Directors to function as an endowment.

Donor-restricted and board-designated endowment net asset compositions by type of fund as of June 30, 2010 and December 31, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2010				
Donor-restricted endowment fund	\$ 272,440		\$ 1,035,667	\$ 1,308,107
Board-designated endowment fund	1,517,230			1,517,230
Totals	<u>\$ 1,789,670</u>	<u>\$ -</u>	<u>\$ 1,035,667</u>	<u>\$ 2,825,337</u>
December 31, 2008				
Donor-restricted endowment fund	\$ 93,180		\$ 1,015,593	\$ 1,108,773
Board-designated endowment fund	1,314,458			1,314,458
Totals	<u>\$ 1,407,638</u>	<u>\$ -</u>	<u>\$ 1,015,593</u>	<u>\$ 2,423,231</u>

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 5 – ENDOWMENT FUNDS – CONTINUED

Changes in endowment net assets for the eighteen-month period ended June 30, 2010 and the year ended December 31, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2010				
Beginning of year	\$ 1,407,638		\$ 1,015,593	\$ 2,423,231
Contributions	204,717		20,074	224,791
Investment return:				
Investment income, net of fees	32,002	\$ 33,477		65,479
Net appreciation	144,267	136,717		280,984
Transfer	1,046			1,046
Amounts appropriated		(170,194)		(170,194)
End of year	<u>\$ 1,789,670</u>	<u>\$ -</u>	<u>\$ 1,035,667</u>	<u>\$ 2,825,337</u>
December 31, 2008				
Beginning of year	\$ 902,609		\$ 966,908	\$ 1,869,517
Contributions	467,377		48,685	516,062
Investment return:				
Investment income, net of fees	27,503			27,503
Net appreciation	54,062	\$ 71,087		125,149
Amounts appropriated	(43,913)	(71,087)		(115,000)
End of year	<u>\$ 1,407,638</u>	<u>\$ -</u>	<u>\$ 1,015,593</u>	<u>\$ 2,423,231</u>

NOTE 6 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2010 and December 31, 2008:

	2010	2008
Contributions receivable - time restricted	\$ 273,883	\$ 112,236
Vehicle	8,153	
Social work	7,706	
Farmland	6,689	6,689
IT operations	6,268	
ODT project	6,263	
Executive director search	6,000	
Extra food	6,000	
Micro Finance Grant	5,000	
Art program	4,163	
Health clinic	300	
IT program		35,000
La Luna Peace program		21,000
English program		15,000
Athletic field		6,596
	<u>\$ 330,425</u>	<u>\$ 196,521</u>

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 6 – RESTRICTIONS ON NET ASSETS – CONTINUED

Permanently restricted net assets consisted of the following as of June 30, 2010 and December 31, 2008:

	2010	2008
Endowment - to support future operations	\$ 1,042,159	\$ 1,056,343

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Leases

The Organization executed an operating lease commitment in excess of one year on August 1, 2008 for the administration offices in Yarmouth, Maine that expires on July 31, 2013, with monthly lease payments of \$1,700 through July 31, 2009 and an increase of 3% each year thereafter. The Organization had a previous operating lease that expired on October 31, 2008, with monthly lease payments of \$2,053. The Organization leases other office space under month-to-month operating leases. Total rent expense was \$61,892 for the eighteen-month period ended June 30, 2010 and \$50,443 for the year ended December 31, 2008.

The future minimum rental payments under non-cancelable operating leases having an initial or remaining term in excess of one year as of June 30, 2010 are as follows:

Year ending June 30,	
2011	\$ 21,790
2012	22,545
2013	23,334
	<u>\$ 67,669</u>

Land Use

The Organization has a written agreement with a donor that provides for free use of the land on which the daycare center, occupational training center and gardens have been built upon through August 31, 2020.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2005, the Organization loaned \$93,228 of the start-up costs to Lazos Fuertes, a hotel located in Antigua, Guatemala. Due to legal restrictions imposed by the Guatemalan government regarding nonprofits, the ownership of the hotel was in the name of the executive director and another employee of the Organization. During 2007, the ownership changed to an employee of the Organization. The ten-year loan receivable was due July 17, 2016. The loan was non-interest bearing assuming the loan was paid by the due date. During 2009, Lazos Fuertes was closed and assets were sold to repay the loan receivable. The loan receivable balance was \$1,523 and \$39,538 as of June 30, 2010 and December 31, 2008, respectively.

Notes to Consolidated Financial Statements

June 30, 2010 and December 31, 2008

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Level 1	Level 2	Level 3
June 30, 2010				
Investments	<u>\$ 2,825,337</u>	<u>\$ 2,072,912</u>	<u>\$ 752,425</u>	<u>\$ -</u>
December 31, 2008				
Investments	<u>\$ 2,423,230</u>	<u>\$ 1,433,528</u>	<u>\$ 989,702</u>	<u>\$ -</u>