



Financial Report

June 30, 2015

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Accessible  
Approachable  
Accountable

## Independent Auditors' Report

Board of Directors  
Safe Passage, Camino Seguro, and Creamos  
Yarmouth, Maine

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Safe Passage, Camino Seguro, and Creamos which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Directors  
Safe Passage, Camino Seguro, and Creamos

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Safe Passage, Camino Seguro, and Creamos as of June 30, 2015, and the consolidated changes in their net assets and their 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 Safe Passage and Camino Seguro's 2014 consolidated financial statements, and our report dated November 10, 2014, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

South Portland, Maine  
October 15, 2015

## Consolidated Statements of Financial Position

June 30, 2015

(With Summarized Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 431,933	\$ 822,435
Contributions receivable	11,802	14,521
Prepaid expenses	13,855	18,392
<b>Total Current Assets</b>	<u>457,590</u>	<u>855,348</u>
<b>Property and Equipment</b>		
Buildings and land improvements	1,026,271	970,234
Furniture, fixtures, and equipment	290,643	255,690
Vehicles	141,445	140,539
Leasehold improvements	10,530	
	<u>1,468,889</u>	<u>1,366,463</u>
Accumulated depreciation	<u>(775,417)</u>	<u>(656,684)</u>
	693,472	709,779
Land	<u>360,965</u>	<u>93,779</u>
	<u>1,054,437</u>	<u>803,558</u>
<b>Other Assets</b>		
Restricted cash-capital campaign	293,544	273,070
Investments	3,056,248	3,162,524
Pledge receivables-capital campaign	893,015	968,668
Loans receivable	883	303
	<u>4,243,690</u>	<u>4,404,565</u>
<b>Total Assets</b>	<u>\$ 5,755,717</u>	<u>\$ 6,063,471</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 27,131	\$ 24,716
Due to support groups	11,480	31,325
Accrued payroll and severance	280,149	219,997
<b>Total Current Liabilities</b>	<u>318,760</u>	<u>276,038</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	1,432,147	1,391,927
Board designated	1,879,458	1,927,805
Total unrestricted	<u>3,311,605</u>	<u>3,319,732</u>
Temporarily restricted	1,083,193	1,425,542
Permanently restricted	1,042,159	1,042,159
	<u>5,436,957</u>	<u>5,787,433</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 5,755,717</u>	<u>\$ 6,063,471</u>

See independent auditors' report.

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

## Consolidated Statements of Activities

Year Ended June 30, 2015

(With Summarized Comparative Totals for the Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Activities</b>				
<b>Support and Revenues</b>				
Contributions	\$ 981,318	\$ 278,107		\$ 1,259,425
Sponsorships	586,283			586,283
Other income	36,761			36,761
Gain on currency translation	1,351			1,351
Endowment income utilized in operations	150,000			150,000
Net assets released from restrictions	290,450	(290,450)		
<b>Total Support and Revenues</b>	<b>2,046,163</b>	<b>(12,343)</b>		<b>2,033,820</b>
<b>Operating Expenses and Losses</b>				
Program	1,772,315			1,772,315
Administrative	196,560			196,560
Fundraising	319,660			319,660
<b>Total Expenses</b>	<b>2,288,535</b>			<b>2,288,535</b>
<b>Change in Net Assets from Operations</b>	<b>(242,372)</b>	<b>(12,343)</b>		<b>(254,715)</b>
<b>Non-Operating Activities</b>				
Contributions capital campaign		220,351		220,351
Capital campaign expense	(211,078)			(211,078)
Investment income - net of fees	20,300	12,207		32,507
Contributions and other amounts deposited	7,595	4,864		12,459
Net assets released from restrictions	567,428	(567,428)		
Endowment income utilized	(150,000)			(150,000)
<b>Change in Net Assets from Non-Operating Activities</b>	<b>234,245</b>	<b>(330,006)</b>		<b>(95,761)</b>
<b>Total Change in Net Assets</b>	<b>(8,127)</b>	<b>(342,349)</b>		<b>(350,476)</b>
<b>Net Assets, Beginning of Year</b>	<b>3,319,732</b>	<b>1,425,542</b>	<b>\$ 1,042,159</b>	<b>5,787,433</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,311,605</b>	<b>\$ 1,083,193</b>	<b>\$ 1,042,159</b>	<b>\$ 5,436,957</b>

See independent auditors' report.

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

## Consolidated Statements of Functional Expenses

Year Ended June 30, 2015

(With Summarized Comparative Totals for the Year Ended June 30, 2014)

	Program	Supporting Services			2015	2014
		Administrative	Fundraising	Total	Total	Total
Salaries, taxes and benefits	\$ 952,118	\$ 124,445	\$ 172,638	\$ 297,083	\$ 1,249,201	\$ 1,053,053
Professional services	54,121	33,384	139,260	172,644	226,765	297,944
In-kind food, supplies and materials	154,364		242	242	154,606	139,060
Depreciation	114,886				114,886	118,770
Rent and security	83,420	8,426	14,824	23,250	106,670	97,348
Printing, postage and office supplies	41,524	3,619	54,993	58,612	100,136	71,355
School expenses	96,138				96,138	96,669
Travel and transportation	62,563	12,786	7,146	19,932	82,495	87,280
Food and drinking water	74,751	85		85	74,836	67,146
Repairs and maintenance	57,424	6		6	57,430	37,666
After school activities and supplies	43,479	188	2,170	2,358	45,837	46,306
Utilities	35,752	1,571	936	2,507	38,259	39,596
Medical and family assistance	30,068				30,068	29,779
Telephone and communications	21,400	2,767	3,135	5,902	27,302	23,005
Fundraising	18,062		6,860	6,860	24,922	17,372
Staff recruitment and development	13,450	3,175	2,506	5,681	19,131	28,655
Bank fees and services charges	851	1,102	16,881	17,983	18,834	19,793
Minor furniture and equipment	13,638	716	2,359	3,075	16,713	12,594
Insurance	10,216	4,109	855	4,964	15,180	19,498
Other	23	181		181	204	(1,895)
	<u>1,878,248</u>	<u>196,560</u>	<u>424,805</u>	<u>621,365</u>	<u>2,499,613</u>	<u>2,300,994</u>
Less:						
Capital campaign expense	(105,933)		(105,145)	(105,145)	(211,078)	(207,963)
	<u>\$ 1,772,315</u>	<u>\$ 196,560</u>	<u>\$ 319,660</u>	<u>\$ 516,220</u>	<u>\$ 2,288,535</u>	<u>\$ 2,093,031</u>

See independent auditors' report.

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

## Consolidated Statements of Cash Flows

Year Ended June 30, 2015

(With Summarized Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	<u>\$ (350,476)</u>	<u>\$ 1,358,878</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	114,886	118,770
Realized and unrealized (gains) losses on investments, net of fees	52,016	(307,721)
Contributions for long lived assets	(313,892)	(334,698)
Gain on foreign currency translation	(1,351)	(2,915)
(Increase) decrease in operating assets:		
Contributions receivable	2,719	5,346
Pledge receivables- capital campaign	77,004	(965,751)
Prepaid expenses	4,537	(15,116)
Increase (decrease) in operating liabilities:		
Accounts payable	2,415	5,273
Due to support groups	(19,845)	18,230
Accrued payroll and severance	60,152	19,377
Total adjustments	<u>(21,359)</u>	<u>(1,459,205)</u>
<b>Net cash flows from operating activities</b>	<u>(371,835)</u>	<u>(100,327)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property and equipment		2,825
Net change in restricted cash-capital campaign	(20,474)	(273,070)
Purchase of property and equipment	(365,765)	(79,678)
Purchase of investments	(96,300)	(383,700)
Proceeds from sale of investments	150,560	609,986
Collection (advances) of loans receivable	(580)	469
<b>Net cash flows from investing activities</b>	<u>(332,559)</u>	<u>(123,168)</u>
<b>Cash flows from financing activities</b>		
Collection of contributions for long term asset	313,892	334,696
<b>Net cash flows from financing activities</b>	<u>313,892</u>	<u>334,696</u>
<b>Net change in cash</b>	<b>(390,502)</b>	111,201
<b>Cash at beginning of year</b>	<u>822,435</u>	<u>711,234</u>
<b>Cash at end of year</b>	<u>\$ 431,933</u>	<u>\$ 822,435</u>

See independent auditors' report.

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



## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

### 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 and Creamos are tax-exempt nonprofit organizations registered and operating in Guatemala (hereinafter collectively called the Organization). These three entities represent a humanitarian group whose mission is “to empower the poorest, at-risk children of families living in the Guatemala City garbage dump community by creating opportunities and fostering dignity through the power of education”. The Organization was founded in 1999 by an American school teacher, Hanley Denning.

The core activities of the Organization are operating a full-day Preschool for children ages 2 to 6 years old, an official full-day Primary School that now includes 1<sup>st</sup> through 3<sup>rd</sup> grade, and a half-day Educational Reinforcement Program for school-age students 4<sup>th</sup> grade and above (ages 10 to 21) who attend local schools. The Organization currently assists over 550 children, representing approximately 300 families, with an integrated program of support reaching the whole family. Students receive daily meals, grade-appropriate classes, financial aid for education and transportation, tutoring, health care, and enrichment through arts, sports, English language training, computers, and Saturday clubs. Additional programs in adult literacy, family nurturing, and social entrepreneurship foster a positive, stable home environment.

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

The Organization employs about 95 full and part-time staff of Guatemalan teachers, social workers, and support personnel. It also maintains an additional administrative and fundraising staff of six in the United States, located in Yarmouth, Maine. Paid staff in Guatemala work closely with international and Guatemalan volunteers who serve the Organization through commitments of varying duration. Each year approximately 16 long-term volunteers fill teaching and operational positions and more than 330 short-term volunteers provide additional assistance.

The Organization registered its full-day pre-primary program for students ages 4, 5, and 6 years old with the Guatemalan Ministry of Education, earning recognition as an official school that was inaugurated in January 2012. The Organization opened two full-day 1<sup>st</sup> grade classrooms in January 2013, with accreditation from the Guatemalan Ministry of Education based on an active learning Montessori-based approach to learning. A full day 2<sup>nd</sup> grade was launched the following year and those students moved to a full-day 3<sup>rd</sup> grade in January, 2015. The Board of Directors is pursuing a plan to launch a full-day program from 4<sup>th</sup> through 9<sup>th</sup> grade on a progressive, sequential basis using Expeditionary Learning as the guiding methodology. The Ministry of Education has now accredited the Expeditionary Learning approach for use by Safe Passage in its educational programs in Guatemala. Other recent program developments include the launch of a “next step” professional development program to support students and alumni with career preparation, job-seeking, and professional networking opportunities, formalizing a parents’ committee, and further developing the women’s sewing initiative to complement jewelry-making within the social entrepreneurship program.

Beneficiaries of the Organization include the children who participate in its educational and related programs, as well as the children’s immediate family members. Indirectly, the surrounding community benefits from increased educational opportunities, teacher training, local jobs, and efforts to engage area youth in productive activities.

The Organization remains dependant on philanthropy to sustain its programs and ambitions. That philanthropy comes from Guatemala, the United States, Canada, and several European countries.

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

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

#### Consolidation

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

#### Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities 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 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 June 30, 2014, from which the summarized information was derived.

#### 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 promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. No allowance for uncollectible accounts was considered necessary as of June 30, 2015 and 2014.

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

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

#### 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 at least 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 eight years. Buildings and land improvements are depreciated on a straight-line basis over 10 to 20 years. 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.

#### 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. The Board of Directors has appropriated appreciation and earnings in excess of the spending formula to be classified as temporarily restricted funds until released by the Board of Directors.

## **Notes to Consolidated Financial Statements**

**June 30, 2015 (With Comparative Totals for June 30, 2014)**

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

#### **Accrued Payroll and Severance**

Guatemalan law requires each employer to provide two bonuses annually, each in the amount of one month's salary to each employee. "Bono2015" must be paid by July 15, 2015 and "Aguinaldo" is paid in December before employees leave for the Christmas holiday. In addition, Guatemalan law requires employers to provide severance to all employees who are dismissed without justification in the amount of one month's salary for each year of service. The Organization has recorded the accrued bonus and severance as of June 30, 2015 and 2014 on the statement of financial position.

#### **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 \$80,127 and \$73,935 for the years ended June 30, 2015 and 2014, respectively, and are included in the statement of activities.

#### **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.

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

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

#### 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 approximate accumulated foreign currency translation adjustments amounted to \$(9,500) at June 30, 2015 and 2014. 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 gain of \$1,351 and \$2,915 for the years ended June 30, 2015 and 2014, respectively.

#### Income Taxes

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

Management has evaluated the Organization's tax positions and concluded that as of June 30, 2015 and 2014, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liabilities nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next 12 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, 2011 through June 30, 2015.

#### 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

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:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

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

#### Fair Value Measurements – Continued

- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

For the years ended June 30, 2015 and 2014, 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.

#### Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to be consistent with the classifications used in 2015. These reclassifications had no effect on the change in net assets in 2014.

### 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, 2015 and 2014 are as follows:

	2015	2014
Unconditional promises to give before unamortized discount	\$ 918,249	\$ 1,008,596
Less: unamortized discount	<u>(13,432)</u>	<u>(25,407)</u>
Net unconditional promises to give	<u>\$ 904,817</u>	<u>\$ 983,189</u>
Amounts due in:		
Less than one year	\$ 492,142	\$ 483,763
One to five years	<u>426,097</u>	<u>524,833</u>
Total	<u>\$ 918,239</u>	<u>\$ 1,008,596</u>

Discount rate used for the calculation of the unamortized discount was 2%.

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

### NOTE 4 – INVESTMENTS

Investments at fair value as of June 30, 2015 and 2014 are as follows:

	2015	2014
Money market funds	\$ 38,695	\$ 70,937
Fixed income – U.S. Government	297,412	762,462
Fixed income – Corporate	1,060,542	720,785
Mutual funds – Equity	1,659,599	114,376
Equity securities		1,493,964
	<u>\$ 3,056,248</u>	<u>\$ 3,162,524</u>

Investment income is summarized as follows:

	2015	2014
Interest and dividend income	\$ 90,360	\$ 103,163
Net realized and unrealized gains (losses)	(39,109)	305,676
Investment fees	(18,744)	(24,426)
	<u>\$ 32,507</u>	<u>\$ 384,413</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, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>June 30, 2015</b>				
Donor-restricted endowment fund	\$ 331,365	\$ 134,361	\$ 1,042,159	\$ 1,508,155
Board-designated endowment fund	1,548,093			1,548,093
Totals	<u>\$ 1,879,458</u>	<u>\$ 134,361</u>	<u>\$ 1,042,159</u>	<u>\$ 3,056,248</u>
<b>June 30, 2014</b>				
Donor-restricted endowment fund	\$ 331,365	\$ 192,560	\$ 1,042,159	\$ 1,566,084
Board-designated endowment fund	1,596,440			1,596,440
Totals	<u>\$ 1,927,805</u>	<u>\$ 192,560</u>	<u>\$ 1,042,159</u>	<u>\$ 3,162,524</u>

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

### NOTE 5 – ENDOWMENT FUNDS – CONTINUED

Changes in donor-restricted and board-designated endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

<b>June 30, 2015</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Beginning of year	\$ 1,927,805	\$ 192,560	\$ 1,042,159	\$ 3,162,524
Contributions and other amounts deposited	7,595	4,864		12,459
Investment return:				
Investment income, net of fees	42,898	27,476		70,374
Net appreciation (depreciation)	(23,840)	(15,269)		(39,109)
Amounts appropriated	<u>(75,000)</u>	<u>(75,000)</u>		<u>(150,000)</u>
End of year	<u>\$ 1,879,458</u>	<u>\$ 134,631</u>	<u>\$ 1,042,159</u>	<u>\$ 3,056,248</u>
June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 1,951,194	\$ 87,736	\$ 1,042,159	\$ 3,081,089
Investment return:				
Investment income, net of fees	44,603	36,156		80,759
Net appreciation (depreciation)	162,008	143,668		305,676
Amounts appropriated	<u>(230,000)</u>	<u>(75,000)</u>		<u>(305,000)</u>
End of year	<u>\$ 1,927,805</u>	<u>\$ 192,560</u>	<u>\$ 1,042,159</u>	<u>\$ 3,162,524</u>

During the years ended June 30, 2015 and 2014, the Board authorized funds from the board-designated endowment fund in the amount of \$0 and \$155,000, respectively, to be utilized for a specific purpose. This amount is included in the amount appropriated from unrestricted net assets to be paid back in the future.



## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

### NOTE 6 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2015 and 2014:

	2015	2014
Capital campaign	\$ 667,061	\$ 939,138
Planned giving	200,000	200,000
Endowment earnings available for appropriation	134,631	192,560
Next step program (proximo paso)	43,699	4,959
Family nurturing program	10,574	13,815
Planned giving project	7,000	17,831
School supplies	3,637	
Scholarships	2,640	12,857
Quinceanera	2,429	
School expenses	2,003	2,997
Summer camps	1,683	
Wellness center	1,400	1,400
Other	6,166	766
Social work	163	4,139
Saturday clubs	107	2,917
Strategic planning		17,274
Entrepreneurship		8,954
Micro Finance Grant		2,500
Food		1,626
Pre-school		1,275
English program		534
	<u>\$ 1,083,193</u>	<u>\$ 1,425,542</u>

Permanently restricted net assets consisted of the following as of June 30, 2015 and 2014:

	2015	2014
Endowment - to support future operations	<u>\$ 1,042,159</u>	<u>\$ 1,042,159</u>

### NOTE 7 – COMMITMENTS AND CONTINGENCIES

#### Leases

The Organization executed an operating lease commitment in excess of one year on August 1, 2013 for the administration offices in Yarmouth, Maine with an expiration date of July 31, 2018, with monthly lease payments of \$1,950 through July 31, 2015 and an increase of 3% each year thereafter. The Organization leases other office space under month-to-month operating leases. Total rent expense was \$43,548 and \$43,027 for the years ended June 30, 2015 and 2014, respectively.

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

### NOTE 7 – COMMITMENTS AND CONTINGENCIES – CONTINUED

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, 2015 are as follows:

Year ending June 30,

2016	\$	24,038
2017		24,767
2018		25,510
2019		2,131
	\$	<u>76,446</u>

### Land Use

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

### NOTE 8 – FAIR VALUE MEASUREMENTS

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

	Fair Value	Level 1	Level 2	Level 3
<b>June 30, 2015</b>				
Money market funds	\$ 38,695	\$ 38,695		
Fixed income –				
U.S. Government	297,412	297,412		
Fixed income -				
Corporate	1,060,542	1,060,542		
Mutual funds – Equity	1,659,599	1,659,599		
Total	<u>\$ 3,056,248</u>	<u>\$ 3,056,248</u>	<u>\$ -</u>	<u>\$ -</u>
	Fair Value	Level 1	Level 2	Level 3
<b>June 30, 2014</b>				
Money market funds	\$ 70,937	\$ 70,937		
Fixed income –				
U.S. Government	762,462	762,462		
Fixed income -				
Corporate	720,785	720,785		
Mutual funds - Equity	114,376	114,376		
Equity securities	1,493,964	1,493,964		
Total	<u>\$ 3,162,524</u>	<u>\$ 3,162,524</u>	<u>\$ -</u>	<u>\$ -</u>

## Notes to Consolidated Financial Statements

June 30, 2015 (With Comparative Totals for June 30, 2014)

### NOTE 9 – CREAMOS

Creamos is tax-exempt nonprofit organization registered and operating in Guatemala. The organization gives the mothers of the children the opportunity to learn skills and generate income for their families without depending on the garbage dump by making and selling jewelry. The summarized financial information below, which is included in the consolidated financial statements, for the year ended June 30, 2015 is as follows:

Assets	\$ 10,579
Liabilities	<u>22,823</u>
Net Assets	<u>\$ (12,244)</u>
Revenues	\$ 26,937
Expenses	<u>51,186</u>
Change in Net Assets	<u>\$ (24,716)</u>

### NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2015, the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.