

**Safe Passage and  
Camino Seguro**

**Financial Report**

**June 30, 2013**

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Accessible  
Approachable  
Accountable

## Independent Auditors' Report

Board of Directors  
Safe Passage and Camino Seguro  
Yarmouth, Maine

We have audited the accompanying consolidated financial statements of Safe Passage and Camino Seguro, which comprise the consolidated statement of financial position as of June 30, 2013, 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 and Camino Seguro

### **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, 2013, 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 2012 consolidated financial statements, and our report dated October 17, 2012, 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, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Magee LLC". The signature is written in a cursive, flowing style.

South Portland, Maine  
November 8, 2013

## Consolidated Statements of Financial Position

June 30, 2013

(with summarized comparative totals for the year ended June 30, 2012)

|   | 2013                | 2012                |
|---|---------------------|---------------------|
| <b>ASSETS</b>                           |                     |                     |
| <b>Current Assets</b>                   |                     |                     |
| Cash                                    | \$ 711,234          | \$ 572,119          |
| Contributions receivable                | 19,867              | 65,048              |
| Prepaid expenses                        | 3,276               | 8,277               |
| <b>Total Current Assets</b>             | <u>734,377</u>      | <u>645,444</u>      |
| <b>Property and Equipment</b>           |                     |                     |
| Buildings and land improvements         | 964,673             | 961,964             |
| Furniture, fixtures, and equipment      | 228,628             | 183,858             |
| Vehicles                                | 178,995             | 138,307             |
|   | <u>1,372,296</u>    | <u>1,284,129</u>    |
| Accumulated depreciation                | <u>(595,399)</u>    | <u>(463,399)</u>    |
|   | 776,897             | 820,730             |
| Land                                    | 68,578              | 68,578              |
|   | <u>845,475</u>      | <u>889,308</u>      |
| <b>Other Assets</b>                     |                     |                     |
| Investments                             | 3,081,089           | 3,088,883           |
| Loans receivable                        | 772                 | 395                 |
|   | <u>3,081,861</u>    | <u>3,089,278</u>    |
| <b>Total Assets</b>                     | <u>\$ 4,661,713</u> | <u>\$ 4,624,030</u> |
| <b>LIABILITIES AND NET ASSETS</b>       |                     |                     |
| <b>Current Liabilities</b>              |                     |                     |
| Accounts payable                        | \$ 19,443           | \$ 5,713            |
| Due to support groups                   | 12,904              | 10,595              |
| Due to sponsored children               | 191                 | 10,848              |
| Accrued payroll and severance           | 200,620             | 165,123             |
| <b>Total Current Liabilities</b>        | <u>233,158</u>      | <u>192,279</u>      |
| <b>Net Assets</b>                       |                     |                     |
| Unrestricted                            |                     |                     |
| Undesignated                            | 1,562,026           | 1,454,614           |
| Board designated                        | 1,619,829           | 1,680,703           |
| Total unrestricted                      | <u>3,181,855</u>    | <u>3,135,317</u>    |
| Temporarily restricted                  | 204,541             | 254,275             |
| Permanently restricted                  | 1,042,159           | 1,042,159           |
|   | <u>4,428,555</u>    | <u>4,431,751</u>    |
| <b>Total Liabilities and Net Assets</b> | <u>\$ 4,661,713</u> | <u>\$ 4,624,030</u> |

See independent auditors' report.

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

## Consolidated Statements of Activities

Year Ended June 30, 2013

(with summarized comparative totals for the year ended June 30, 2012)

|   | 2013                |                        |                        | 2012                |
|---|---------------------|------------------------|------------------------|---------------------|
|   | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
| <b>Operating Activities</b>                                   |                     |                        |                        |                     |
| <b>Support and Revenues</b>                                   |                     |                        |                        |                     |
| Contributions   | \$ 1,101,240        | \$ 73,890              |                        | \$ 1,175,130        |
| Sponsorships  | 573,528             |                        |                        | 573,528             |
| Other income  | 39,338              |                        |                        | 39,338              |
| Gain on currency translation                                  | 1,730               |                        |                        | 1,730               |
| Endowment income utilized in operations                       | 130,000             |                        |                        | 130,000             |
| Board designated endowment loan utilized for specific purpose | 125,000             |                        |                        | 125,000             |
| Net assets released from restrictions                         | 176,704             | (176,704)              |                        |                     |
| <b>Total Support and Revenues</b>                             | <u>2,147,540</u>    | <u>(102,814)</u>       |                        | <u>2,044,726</u>    |
| <b>Operating Expenses and Losses</b>                          |                     |                        |                        |                     |
| Program   | 1,603,233           |                        |                        | 1,603,233           |
| Administrative  | 225,555             |                        |                        | 225,555             |
| Fundraising   | 203,753             |                        |                        | 203,753             |
| <b>Total Expenses</b>   | <u>2,032,541</u>    |                        |                        | <u>2,032,541</u>    |
| <b>Change in Net Assets from Operations</b>                   | <u>114,999</u>      | <u>(102,814)</u>       |                        | <u>12,185</u>       |
| <b>Non-Operating Activities</b>                               |                     |                        |                        |                     |
| Investment income   | 124,039             | 115,580                |                        | 239,619             |
| Net assets released from restrictions                         | 62,500              | (62,500)               |                        |                     |
| Endowment income utilized                                     | (255,000)           |                        |                        | (255,000)           |
| <b>Change in Net Assets from Non-Operating Activities</b>     | <u>(68,461)</u>     | <u>53,080</u>          |                        | <u>(15,381)</u>     |
| <b>Total Change in Net Assets</b>                             | <u>46,538</u>       | <u>(49,734)</u>        |                        | <u>(3,196)</u>      |
| <b>Net Assets, Beginning of Year</b>                          | <u>3,135,317</u>    | <u>254,275</u>         | <u>\$ 1,042,159</u>    | <u>4,431,751</u>    |
| <b>Net Assets, End of Year</b>                                | <u>\$ 3,181,855</u> | <u>\$ 204,541</u>      | <u>\$ 1,042,159</u>    | <u>\$ 4,431,751</u> |

See independent auditors' report.

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

## Consolidated Statements of Functional Expenses

Year Ended June 30, 2013

(with summarized comparative totals for the year ended June 30, 2012)

|                                       | Program             | Supporting Services |                   |                   | 2013                | 2012                |
|---------------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
|                                       |                     | Administrative      | Fundraising       | Total             | Total               | Total               |
| Salaries, taxes and benefits          | \$ 738,437          | \$ 119,159          | \$ 90,924         | \$ 210,083        | \$ 948,520          | \$ 991,224          |
| Medical and family assistance         | 26,992              |                     |                   |                   | 26,992              | 33,074              |
| Professional services                 | 87,622              | 54,125              | 14,978            | 69,103            | 156,725             | 127,805             |
| In-kind food, supplies and materials  | 158,456             |                     | 8,284             | 8,284             | 166,740             | 180,723             |
| School expenses                       | 93,951              |                     |                   |                   | 93,951              | 96,226              |
| After school activities and supplies  | 17,564              | 13                  |                   | 13                | 17,577              | 20,896              |
| Repairs and maintenance               | 40,370              |                     |                   |                   | 40,370              | 37,580              |
| Rent and security                     | 60,876              | 13,956              | 12,970            | 26,926            | 87,802              | 78,825              |
| Utilities                             | 33,908              | 4,905               | 628               | 5,533             | 39,441              | 40,131              |
| Food and drinking water               | 63,997              | 154                 |                   | 154               | 64,151              | 75,123              |
| Travel and transportation             | 55,038              | 4,563               | 9,900             | 14,463            | 69,501              | 67,951              |
| Minor furniture and equipment         | 6,406               | 809                 | 659               | 1,468             | 7,874               | 10,288              |
| Telephone and communications          | 16,343              | 4,572               | 3,059             | 7,631             | 23,974              | 27,216              |
| Other                                 | 4,103               | 520                 |                   | 520               | 4,623               | 4,846               |
| Insurance                             | 18,720              | 5,340               | 594               | 5,934             | 24,654              | 19,865              |
| Printing, postage and office supplies | 43,232              | 5,453               | 20,665            | 26,118            | 69,350              | 50,973              |
| Staff recruitment and development     | 4,884               | 10,299              | 760               | 11,059            | 15,943              | 14,186              |
| Fundraising                           |                     |                     | 19,652            | 19,652            | 19,652              | 26,333              |
| Bank fees and services charges        | 336                 | 1,687               | 20,680            | 22,367            | 22,703              | 22,140              |
| Depreciation                          | 131,998             |                     |                   |                   | 131,998             | 127,769             |
|                                       | <u>\$ 1,603,233</u> | <u>\$ 225,555</u>   | <u>\$ 203,753</u> | <u>\$ 429,308</u> | <u>\$ 2,032,541</u> | <u>\$ 2,053,174</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, 2013

(with summarized comparative totals for the year ended June 30, 2012)

|  | 2013              | 2012               |
|--|-------------------|--------------------|
| <b>Cash flows from operating activities</b>  |                   |                    |
| Change in net assets   | <u>\$ (3,196)</u> | <u>\$ (64,382)</u> |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: |                   |                    |
| Depreciation   | 131,998           | 127,769            |
| Gain on sale of property and equipment   | (18,191)          |                    |
| Realized and unrealized gains on investments   | (170,508)         | (7,487)            |
| Gain on foreign currency translation   |                   | (75,164)           |
| (Increase) decrease in operating assets:   |                   |                    |
| Contributions receivable   | 45,181            | 144,178            |
| Prepaid expenses   | 5,001             | (3,423)            |
| Increase (decrease) in operating liabilities:  |                   |                    |
| Accounts payable   | 13,730            | (9,340)            |
| Due to support groups and children   | (8,348)           | (40,819)           |
| Accrued payroll and severance  | 35,497            | 16,168             |
| Total adjustments  | <u>34,360</u>     | <u>151,882</u>     |
| <b>Net cash flows from operating activities</b>  | <u>31,164</u>     | <u>87,500</u>      |
| <b>Cash flows from investing activities</b>  |                   |                    |
| Proceeds from sale of property and equipment   | 18,191            |                    |
| Purchase of property and equipment   | (88,165)          | (11,123)           |
| Purchase of investments  | (1,672,647)       | (70,416)           |
| Proceeds from sale of investments  | 1,850,949         | 129,222            |
| (Advances) collection of loans receivable  | (377)             | 1,977              |
| <b>Net cash flows from investing activities</b>  | <u>107,951</u>    | <u>49,660</u>      |
| <b>Effect of foreign currency translation on cash</b>                                      |                   | <u>2,755</u>       |
| <b>Net change in cash</b>  | 139,115           | 139,915            |
| <b>Cash at beginning of year</b>   | <u>572,119</u>    | <u>432,204</u>     |
| <b>Cash at end of year</b>   | <u>\$ 711,234</u> | <u>\$ 572,119</u>  |

See independent auditors' report.

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



## Notes to Consolidated Financial Statements

June 30, 2013 (With Comparative Totals for June 30, 2012)

### 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 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 an Early Childhood Education program for children ages 2 – 6 years old and an Educational Reinforcement Program for school-age students, typically ages 7 to 20. The Organization currently assists over 500 children, representing approximately 300 families, with enrollment in the formal school system and comprehensive support. Students receive daily meals, grade-appropriate classes, financial aid for education and transportation, tutoring, health care, and enrichment through arts, sports, English, 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 our Early Childhood Center and our Educational Reinforcement Center, both built with donated funds. The physical plant, including classrooms, a computer lab, library and health clinic, is 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 90 full and part-time staff of Guatemalan teachers, social workers, and support personnel. It also 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 serve the Organization through commitments of varying duration. Each year approximately 12 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 and “The Escuelita” was inaugurated in January 2012. The Organization opened two full-day Grade 1 classrooms in January 2013, with accreditation from the Guatemalan Ministry of Education. Other 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, formalized a parents’ committee, and inaugurated the women’s sewing initiative 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.

#### 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, 2013 (With Comparative Totals for June 30, 2012)

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

#### 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, 2012, 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 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 \$0 and \$3,000 at June 30, 2013 and 2012, respectively.

## Notes to Consolidated Financial Statements

June 30, 2013 (With Comparative Totals for June 30, 2012)

### 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 unrestricted funds as the earnings on the endowment fund do not have specific purpose restrictions.

## **Notes to Consolidated Financial Statements**

**June 30, 2013 (With Comparative Totals for June 30, 2012)**

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

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

Guatemalan law requires each employer to provide a bonus in the amount of one month's salary to each employee by July 15 of each year. In addition, Guatemala 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, 2013 and 2012 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 \$69,905 and \$76,107 for the years ended June 30, 2013 and 2012, 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, 2013 (With Comparative Totals for June 30, 2012)

### 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 accumulated foreign currency translation adjustments amounted to \$(9,551) at June 30, 2013 and 2012. 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 \$1,730 and a loss of \$16,933 for the years ended June 30, 2013 and 2012, respectively.

#### 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.

Management has evaluated the Organization's tax positions and concluded that as of June 30, 2013 and 2012, 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, 2009 through June 30, 2013.

#### 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, 2013 (With Comparative Totals for June 30, 2012)

**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.

**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, 2013 and 2012 are as follows:

|   | 2013             | 2012             |
|---|------------------|------------------|
| Unrestricted, temporarily restricted and board-designated | \$ 19,867        | \$ 68,048        |
| Less allowance for uncollectible                          |                  | 3,000            |
| Net unconditional contributions receivable                | <u>\$ 19,867</u> | <u>\$ 65,048</u> |
| <br>  |                  |                  |
| Due in less than one year                                 | <u>\$ 19,867</u> | <u>\$ 65,048</u> |

**NOTE 4 – INVESTMENTS**

Investments as of June 30, 2013 and 2012 are as follows:

|                                | 2013                | 2012                |
|--------------------------------|---------------------|---------------------|
| Money market funds             | \$ 71,843           | \$ 191,215          |
| Fixed income – U.S. Government | 831,286             | 679,281             |
| Fixed income – Corporate       | 579,160             | 756,887             |
| Mutual funds – Equity          | 91,826              | 87,413              |
| Equity securities              | 1,506,974           | 1,374,087           |
|                                | <u>\$ 3,081,089</u> | <u>\$ 3,088,883</u> |

**Notes to Consolidated Financial Statements**

June 30, 2013 (With Comparative Totals for June 30, 2012)

**NOTE 4 – INVESTMENTS – CONTINUED**

Investment income is summarized as follows:

|                                   | 2013              | 2012             |
|-----------------------------------|-------------------|------------------|
| Interest and dividend income      | \$ 97,363         | \$ 92,115        |
| Net realized and unrealized gains | 170,508           | 7,487            |
| Investment fees                   | (28,252)          | (25,261)         |
|                                   | <u>\$ 239,619</u> | <u>\$ 74,341</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, 2013 and 2012 are as follows:

|                                 | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| <b>June 30, 2013</b>            |                     |                           |                           |                     |
| Donor-restricted endowment fund | \$ 331,365          | \$ 87,736                 | \$ 1,042,159              | \$ 1,461,260        |
| Board-designated endowment fund | 1,619,829           |                           |                           | 1,619,829           |
| Totals                          | <u>\$ 1,951,194</u> | <u>\$ 87,736</u>          | <u>\$ 1,042,159</u>       | <u>\$ 3,081,089</u> |
| June 30, 2012                   |                     |                           |                           |                     |
| Donor-restricted endowment fund | \$ 331,365          | \$ 34,656                 | \$ 1,042,159              | \$ 1,408,180        |
| Board-designated endowment fund | 1,680,703           |                           |                           | 1,680,703           |
| Totals                          | <u>\$ 2,012,068</u> | <u>\$ 34,656</u>          | <u>\$ 1,042,159</u>       | <u>\$ 3,088,883</u> |

Changes in donor-restricted and board-designated endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

|                                | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|--------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| <b>June 30, 2013</b>           |                     |                           |                           |                     |
| Beginning of year              | \$ 2,012,068        | \$ 34,656                 | \$ 1,042,159              | \$ 3,088,883        |
| Contributions                  | 7,587               |                           |                           | 7,587               |
| Investment return:             |                     |                           |                           |                     |
| Investment income, net of fees | 36,768              | 32,343                    |                           | 69,111              |
| Net appreciation               | 87,271              | 83,237                    |                           | 170,508             |
| Amounts appropriated           | (192,500)           | (62,500)                  |                           | (255,000)           |
| End of year                    | <u>\$ 1,951,194</u> | <u>\$ 87,736</u>          | <u>\$ 1,042,159</u>       | <u>\$ 3,081,089</u> |

**Notes to Consolidated Financial Statements**

June 30, 2013 (With Comparative Totals for June 30, 2012)

**NOTE 5 – ENDOWMENT FUNDS – CONTINUED**

|                                | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
|--------------------------------|---------------------|------------------------|------------------------|---------------------|
| June 30, 2012                  |                     |                        |                        |                     |
| Beginning of year              | \$ 2,098,043        |                        | \$ 1,042,159           | \$ 3,140,202        |
| Contributions                  | 4,340               |                        |                        | 4,340               |
| Investment return:             |                     |                        |                        |                     |
| Investment income, net of fees | 35,072              | \$ 31,782              |                        | 66,854              |
| Net appreciation               | 4,613               | 2,874                  |                        | 7,487               |
| Amounts appropriated           | (130,000)           |                        |                        | (130,000)           |
| End of year                    | <u>\$ 2,012,068</u> | <u>\$ 34,656</u>       | <u>\$ 1,042,159</u>    | <u>\$ 3,088,883</u> |

During the year ended June 30, 2013, the Board authorized a loan from the board-designed endowment fund in the amount of \$125,000 to be utilized for a specific purpose. This amount is included in the amount appropriated from unrestricted net assets.

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

Net assets were temporarily restricted for the following purposes at June 30, 2013 and 2012:

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| Endowment earnings available for appropriation | \$ 87,736         | \$ 34,656         |
| Planned giving project                         | 35,293            | 39,497            |
| Entrepreneurship                               | 22,607            | 20,000            |
| Strategic planning                             | 17,274            | 20,529            |
| English program                                | 12,275            | 15,000            |
| Social work                                    | 4,882             | 6,754             |
| Sustainability                                 | 4,571             | 5,677             |
| Saturday clubs                                 | 4,322             |                   |
| ODT project                                    | 4,167             | 4,167             |
| Summer camp                                    | 3,294             | 5,000             |
| School expenses                                | 2,955             | 3,000             |
| Micro Finance Grant                            | 2,500             | 2,500             |
| Health clinic                                  | 1,400             | 4,968             |
| Other  | 1,265             | 445               |
| Contributions receivable - time restricted     |                   | 53,242            |
| Vehicle  |                   | 37,000            |
| Parent literacy                                |                   | 1,840             |
|  | <u>\$ 204,541</u> | <u>\$ 254,275</u> |

Permanently restricted net assets consisted of the following as of June 30, 2013 and 2012:

|  | 2013                | 2012                |
|--|---------------------|---------------------|
| Endowment - to support future operations | <u>\$ 1,042,159</u> | <u>\$ 1,042,159</u> |



## Notes to Consolidated Financial Statements

June 30, 2013 (With Comparative Totals for June 30, 2012)

### 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. Effective August 1, 2013, the Organization renewed the lease for a five-year term 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 \$39,224 and \$38,435 for the years ended June 30, 2013 and 2012, respectively.

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, 2013 are as follows:

| Year ending June 30, |                   |
|----------------------|-------------------|
| 2014                 | \$ 23,400         |
| 2015                 | 23,400            |
| 2016                 | 24,038            |
| 2017                 | 24,767            |
| 2018                 | 25,510            |
| Thereafter           | 2,131             |
|                      | <u>\$ 123,246</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, 2013</b>  |                     |                     |                   |             |
| Money market funds    | \$ 71,843           | \$ 71,843           |                   |             |
| Fixed income – U.S.   |                     |                     |                   |             |
| Government            | 831,286             | 831,286             |                   |             |
| Fixed income –        |                     |                     |                   |             |
| Corporate             | 579,160             |                     | \$ 579,160        |             |
| Mutual funds – Equity | 91,826              | 91,826              |                   |             |
| Equity securities     | 1,506,974           | 1,506,974           |                   |             |
| Total                 | <u>\$ 3,081,089</u> | <u>\$ 2,501,929</u> | <u>\$ 579,160</u> | <u>\$ -</u> |

## Notes to Consolidated Financial Statements

June 30, 2013 (With Comparative Totals for June 30, 2012)

### NOTE 8 – FAIR VALUE MEASUREMENTS – CONTINUED

|                                   | Fair Value          | Level 1             | Level 2           | Level 3     |
|-----------------------------------|---------------------|---------------------|-------------------|-------------|
| June 30, 2012                     |                     |                     |                   |             |
| Money market funds                | \$ 191,215          | \$ 191,215          |                   |             |
| Fixed income – U.S.<br>Government | 679,281             | 679,281             |                   |             |
| Fixed income –<br>Corporate       | 756,887             |                     | \$ 756,887        |             |
| Mutual funds - Equity             | 87,413              | 87,413              |                   |             |
| Equity securities                 | 1,374,087           | 1,374,087           |                   |             |
| Total                             | <u>\$ 3,088,883</u> | <u>\$ 2,331,996</u> | <u>\$ 756,887</u> | <u>\$ -</u> |

### NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2013, 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.