Safe Passage
Camino Seguro

Consolidated Financial Report

June 30, 2016

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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, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

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, 2016, 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.

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Board of Directors
Safe Passage, Camino Seguro, and Creamos

Report on Summarized Comparative Information

We have previously audited Safe Passage, Camino Seguro, and Creamos' 2015 consolidated financial statements, and our report, dated October 15, 2015, 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, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Macpage LLC

South Portland, Maine
October 12, 2016

Consolidated Statements of Financial Position

Year Ended June 30, 2016
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
ASSETS		
Current Assets		
Cash	$ 518,465	$ 431,933
Contributions receivable	45,782	11,802
Prepaid expenses	16,466	13,855
Total Current Assets	580,713	457,590
Property and Equipment		
Buildings and land improvements	1,612,933	1,026,271
Furniture, fixtures, and equipment	322,347	290,643
Vehicles	144,237	141,445
Leasehold improvements	10,530	10,530
	2,090,047	1,468,889
Accumulated depreciation	(907,323)	(775,417)
	1,182,724	693,472
Land	478,089	360,965
	1,660,813	1,054,437
Other Assets		
Restricted cash-capital campaign		293,544
Investments	2,792,495	3,056,248
Pledge receivables-capital campaign	800,236	893,015
Loans receivable		883
	3,592,731	4,243,690
Total Assets	$ 5,834,257	$ 5,755,717
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 15,182	$ 27,131
Due to support groups	8,600	11,480
Accrued payroll and severance	262,215	280,149
Total Current Liabilities	285,997	318,760
Net Assets		
Unrestricted		
Undesignated	2,110,806	1,432,147
Board designated	1,691,647	1,879,458
Total unrestricted	3,802,453	3,311,605
Temporarily restricted	703,648	1,083,193
Permanently restricted	1,042,159	1,042,159
	5,548,260	5,436,957
Total Liabilities and Net Assets	$ 5,834,257	$ 5,755,717

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

Consolidated Statements of Activities

Year Ended June 30, 2016
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016				2015
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	
Operating Activities					
Support and Revenues					
Contributions	**$ 1,144,564**	**$ 146,438**		**$ 1,291,002**	$ 1,259,425
Sponsorships	**665,966**			**665,966**	586,283
Other income	**52,535**			**52,535**	36,761
Gain on currency translation	**34,532**			**34,532**	1,351
Endowment income utilized in operations	**266,500**			**266,500**	150,000
Net assets released from restrictions	**148,691**	**(148,691)**			
Total Support and Revenues	**2,312,788**	**(2,253)**		**2,310,535**	2,033,820
Operating Expenses					
Program	**1,807,515**			**1,807,515**	1,772,315
Administrative	**190,244**			**190,244**	196,560
Fundraising	**329,433**			**329,433**	319,660
Total Expenses	**2,327,192**			**2,327,192**	2,288,535
Change in Net Assets from Operations	**(14,404)**	**(2,253)**		**(16,657)**	(254,715)
Non-Operating Activities					
Contributions capital campaign		**603,735**		**603,735**	220,351
Capital campaign expense	**(212,652)**			**(212,652)**	(211,078)
Investment income - net of fees	**2,104**	**923**		**3,027**	32,507
Contributions and other	**215**	**135**		**350**	12,459
Net assets released from restrictions	**982,085**	**(982,085)**			
Endowment income utilized	**(266,500)**			**(266,500)**	(150,000)
Change in Net Assets from Non-Operating Activities	**505,252**	**(377,292)**		**127,960**	(95,761)
Total Change in Net Assets	**490,848**	**(379,545)**		**111,303**	(350,476)
Net Assets, Beginning of Year	**3,311,605**	**1,083,193**	**$ 1,042,159**	**5,436,957**	5,787,433
Net Assets, End of Year	**$ 3,802,453**	**$ 703,648**	**$ 1,042,159**	**$ 5,548,260**	$ 5,436,957

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

Consolidated Statements of Functional Expenses

Year Ended June 30, 2016
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

		Supporting Services			2016	2015
	Program	Administrative	Fundraising	Total	Total	Total
Salaries, taxes and benefits	$ 994,833	$ 120,671	$ 277,324	$ 397,995	$ 1,392,828	$ 1,249,201
Professional services	62,747	33,759	69,357	103,116	165,863	226,765
In-kind food, supplies and materials	135,466	9	6,080	6,089	141,555	154,606
Depreciation	116,754				116,754	114,886
Rent and security	110,194	9,359	15,330	24,689	134,883	106,670
Printing, postage and office supplies	31,486	6,340	41,334	47,674	79,160	100,136
School expenses	78,619				78,619	96,138
Travel and transportation	59,305	7,915	10,209	18,124	77,429	82,495
Food and drinking water	83,697	5		5	83,702	74,836
Repairs and maintenance	29,051				29,051	57,430
After school activities and supplies	29,465				29,465	45,837
Utilities	28,821	1,317	527	1,844	30,665	38,259
Medical and family assistance	37,661				37,661	30,068
Telephone and communications	31,989	2,748	2,945	5,693	37,682	27,302
Fundraising	4,566		10,423	10,423	14,989	24,922
Staff recruitment and development	11,075	3,523	1,286	4,809	15,884	19,131
Bank fees and services charges	907	1,179	17,151	18,330	19,237	18,834
Minor furniture and equipment	8,060	538	1,724	2,262	10,322	16,713
Insurance	11,155	3,796	1,259	5,055	16,210	15,180
Contract labor	26,967				26,967	
Other	1,594	(915)	239	(676)	918	204
	1,894,412	190,244	455,188	645,432	2,539,844	2,499,613
Less:						
Capital campaign expense	(86,897)		(125,755)	(125,755)	(212,652)	(211,078)
	$ 1,807,515	$ 190,244	$ 329,433	$ 519,677	$ 2,327,192	$ 2,288,535

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

Consolidated Statements of Cash Flows

Year Ended June 30, 2016
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 111,303	$ (350,476)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Bad debt expense	239	
Depreciation	116,754	114,886
Noncash contribution of fixed assets	(265,000)	
Realized and unrealized losses on investments, net of fees	59,081	52,016
Contributions for long lived assets	(484,392)	(313,892)
Gain on foreign currency translation	(34,532)	(1,351)
(Increase) decrease in operating assets:		
Contributions receivable	(14,458)	2,719
Pledge receivables- capital campaign	107,550	77,004
Prepaid expenses	(2,611)	4,537
Increase (decrease) in operating liabilities:		
Accounts payable	(11,949)	2,415
Due to support groups	(2,880)	(19,845)
Accrued payroll and severance	(17,934)	60,152
Total adjustments	(550,132)	(21,359)
Net cash flows from operating activities	(438,829)	(371,835)
Cash flows from investing activities		
Net change in restricted cash-capital campaign	293,544	(20,474)
Purchase of property and equipment	(458,130)	(365,765)
Purchase of investments	(61,828)	(96,300)
Proceeds from sale of investments	266,500	150,560
Collection (advances) of loans receivable	883	(580)
Net cash flows from investing activities	40,969	(332,559)
Cash flows from financing activities		
Collection of contributions for long term asset	484,392	313,892
Net cash flows from financing activities	484,392	313,892
Net change in cash	86,532	(390,502)
Cash at beginning of year	431,933	822,435
Cash at end of year	$ 518,465	$ 431,933

Supplemental disclosures of noncash investing activities:

Schedule of noncash investing activities:	
Purchases of property and equipment	$ 723,130
Noncash donation of property and equipment	(265,000)
Property and equipment acquired with cash	$ 458,130

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

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

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 1st through 4th grade, and a half-day Educational Reinforcement Program for school-age students 5th 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 97 full- and part-time staff of Guatemalan teachers, social workers, and support personnel. It also maintains an additional administrative and fundraising staff of seven 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 1st 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 2nd grade was launched the following year and those students moved to a full-day 4th grade in January, 2016. The Board of Directors is pursuing a plan to launch a full-day program from 4th through 9th 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, 2016 (With Comparative Totals for June 30, 2015)

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 consolidated 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 Consolidated Financial Statements

The consolidated 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 consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Estimates

The preparation of consolidated 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 consolidated 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, 2016 and 2015.

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

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, 2016 (With Comparative Totals for June 30, 2015)

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. "Bono14" must be paid by July 15, 2016, 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, 2016 and 2015 on the consolidated 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 contributions for capital campaign as well as 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 consolidated statement of activities 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 $65,146 and $80,127 for the years ended June 30, 2016 and 2015, respectively, and are included in the consolidated 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 consolidated 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 consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

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 consolidated financial statements are reflected in U.S. dollars. All financial position accounts have been translated using an exchange rate representative of the exchange rate in effect at the financial position dates. The foreign currency translation adjustment is recorded in the consolidated statement of activities. The approximate accumulated foreign currency translation adjustments amounted to $10,349 and $(9,500) at June 30, 2016 and 2015, respectively. 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 $34,532 and $1,351 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2013 through June 30, 2016.

Consolidated 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 consolidated 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, 2016 (With Comparative Totals for June 30, 2015)

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, 2016 and 2015, 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.

Recent Accounting Pronouncements

Leasing

In February 2016, FASB issued ASU 2016-02, Leases. This new standard will provide users of the consolidated financial statements a more accurate picture of the assets and the long-term financial obligations of companies that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the company. For nonpublic companies, the new leasing standard would apply for fiscal years beginning after December 15, 2019. The standard requires retroactive application to previously issued consolidated financial statements for 2019 and 2018, if presented. Management is currently evaluating the impact of adoption on its consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standard (IFRS). The core principle of the guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for all nonpublic entities' annual periods beginning after December 15, 2018. Management is currently evaluating the impact of adoption on its consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

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

Recent Accounting Pronouncements – continued

Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities,* to amend current reporting requirements to make several improvements, including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for annual periods beginning after December 15, 2017, with early application permitted. This standard requires retroactive application to previously issued financial statements for 2018 and 2017, if presented. Management is currently evaluating the impact of adoption on its financial statements.

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, 2016 and 2015 are as follows:

	2016	2015
Unconditional promises to give before unamortized discount	**$ 857,999**	$ 918,249
Less: unamortized discount	**(11,981)**	(13,432)
Net unconditional promises to give	**$ 846,018**	$ 904,817
Amounts due in:		
Less that one year	**$ 598,837**	$ 492,142
One to five years	**259,162**	426,097
Total	**$ 857,999**	$ 918,239

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

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

NOTE 4 – INVESTMENTS

Investments at fair value as of June 30, 2016 and 2015 are as follows:

	2016	2015
Cash and money market funds	**$ 20,139**	$ 38,695
Fixed income – U.S. Government		297,412
Fixed income – Corporate		1,060,542
Fixed income – Mutual Funds	**1,345,498**	
Mutual funds – Equity	**1,426,858**	1,659,599
	$ 2,792,495	$ 3,056,248

Investment income is summarized as follows:

	2016	2015
Interest and dividend income	**$ 62,236**	$ 90,360
Net realized and unrealized losses	**(44,972)**	(39,109)
Investment fees	**(14,237)**	(18,744)
	$ 3,027	$ 32,507

The Organization invests in various investment securities and money market funds. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

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, 2016 and 2015 are as follows:

June 30, 2016	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment fund		**$ 58,689**	**$ 1,042,159**	**$ 1,100,848**
Board-designated endowment fund	**$ 1,691,647**			**1,691,647**
Totals	**$ 1,691,647**	**$ 58,689**	**$ 1,042,159**	**$ 2,792,495**
June 30, 2015				
Donor-restricted endowment fund		$ 134,631	$ 1,042,159	$ 1,176,790
Board-designated endowment fund	$ 1,879,458			1,879,458
Totals	$ 1,879,458	$ 134,631	$ 1,042,159	$ 3,056,248

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

NOTE 5 – ENDOWMENT FUNDS – CONTINUED

Changes in donor-restricted and board-designated endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

June 30, 2016	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	**$ 1,879,458**	**$ 134,631**	**$ 1,042,159**	**$ 3,056,248**
Contributions and other amounts deposited	**215**	**135**		**350**
Investment return:				
Investment income, net of fees	**29,125**	**18,236**		**47,361**
Net depreciation	**(27,651)**	**(17,313)**		**(44,964)**
Amounts appropriated	**(189,500)**	**(77,000)**		**(266,500)**
End of year	**$ 1,691,647**	**$ 58,689**	**$ 1,042,159**	**$ 2,792,495**

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 depreciation	(23,840)	(15,269)		(39,109)
Amounts appropriated	(75,000)	(75,000)		(150,000)
End of year	$ 1,879,458	$ 134,631	$ 1,042,159	$ 3,056,248

During the years ended June 30, 2016 and 2015, the Board authorized funds from the board-designed endowment fund in the amount of $112,500 and $0, respectively, to be utilized for a specific purpose. This amount is included in the amount appropriated from unrestricted net assets.

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

NOTE 6 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2016 and 2015:

	2016	2015
Capital campaign	**$ 365,711**	$ 667,061
Planned giving	**200,000**	200,000
Endowment earnings available for appropriation	**58,689**	134,631
Next step program (proximo paso)	**37,218**	43,699
Family nurturing program	**6,028**	10,574
Planned giving project		7,000
School supplies		3,637
Scholarships	**700**	2,640
Quinceanera	**3,088**	2,429
School expenses		2,003
Summer camps		1,683
Wellness center	**1,400**	1,400
Other	**25,814**	6,166
Social work		163
Saturday clubs		107
Deputy director salary	**5,000**	
	$ 703,648	$ 1,083,193

Permanently restricted net assets consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Endowment - to support future operations	**$ 1,042,159**	$ 1,042,159

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 $44,321 and $43,548 for the years ended June 30, 2016 and 2015, 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, 2016 are as follows:

Year ending June 30,	
2017	$ 24,767
2018	25,510
2019	2,131
	$ 52,408

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

NOTE 7 – COMMITMENTS AND CONTINGENCIES – CONTINUED

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. Estimated value of land is recorded in the buildings and land improvements account.

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**
June 30, 2016				
Cash and money market funds	**$ 20,139**	**$ 20,139**		
Fixed income – Mutual funds	**1,345,498**	**1,345,498**		
Mutual funds – Equity	**1,426,858**	**1,426,858**		
Total	**$ 2,792,495**	**$ 2,792,495**	**$ -**	**$ -**

	Fair Value	Level 1	Level 2	Level 3
June 30, 2015				
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	$ 3,056,248	$ 3,056,248	$ -	$ -

NOTE 9 – CREAMOS

Creamos is a 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, 2016, is as follows:

Assets	**$ 5,844**
Liabilities	**65,602**
Net Assets (deficit)	**$ (59,758)**
Revenues	**$ 51,848**
Expenses	**86,663**
Change in Net Assets	**$ (34,815)**

For the year ended June 30, 2016, an expense line for contract labor was added to the consolidated statements of functional expenses. This expense represents the amounts paid to the mothers for making the jewelry.

Notes to Consolidated Financial Statements

June 30, 2016 (With Comparative Totals for June 30, 2015)

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2016, the date the consolidated 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 consolidated financial statements.