Safe Passage
Camino Seguro

Consolidated Financial Report

June 30, 2017

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Independent Auditors' Report

Board of Directors
Safe Passage, Camino Seguro, and Creamos
New Gloucester, 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, 2017, 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, 2017, 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' 2016 consolidated financial statements, and our report, dated October 12, 2016, 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, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Macpage LLC

South Portland, Maine
November 7, 2017

Consolidated Statements of Financial Position

June 30, 2017
(With Summarized Comparative Totals as of June 30, 2016)

	2017	2016
ASSETS		
Current Assets		
Cash	$ 732,324	$ 518,465
Contributions receivable	7,997	45,782
Inventories	27,364	4,737
Prepaid expenses	8,871	11,729
Total Current Assets	776,556	580,713
Property and Equipment		
Buildings and land improvements	1,216,363	1,212,031
Furniture, fixtures, and equipment	333,649	322,347
Vehicles	147,487	144,237
Leasehold improvements	10,530	10,530
Construction in progress	453,319	400,902
	2,161,348	2,090,047
Accumulated depreciation	(1,025,718)	(907,323)
	1,135,630	1,182,724
Land	478,089	478,089
	1,613,719	1,660,813
Other Assets		
Investments	2,737,735	2,792,495
Pledges receivables-capital campaign	495,979	800,236
	3,233,714	3,592,731
Total Assets	$ 5,623,989	$ 5,834,257
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	15,443	$ 15,182
Due to support groups	32,430	8,600
Accrued payroll and severance	311,158	262,215
Total Current Liabilities	359,031	285,997
Net Assets		
Unrestricted		
Undesignated	1,949,393	2,110,806
Board designated	1,591,974	1,691,647
Total unrestricted	3,541,367	3,802,453
Temporarily restricted	681,432	703,648
Permanently restricted	1,042,159	1,042,159
	5,264,958	5,548,260
Total Liabilities and Net Assets	$ 5,623,989	$ 5,834,257

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

Consolidated Statements of Activities

Year Ended June 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017				2016
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	
Operating Activities					
Support and Revenues					
Contributions	**$ 914,432**	**$ 240,486**		**$ 1,154,918**	$ 1,291,002
Sponsorships	**659,433**			**659,433**	665,966
Other income	**51,117**			**51,117**	52,535
Gain on currency translation	**6,198**			**6,198**	34,532
Endowment income utilized in operations	**358,941**			**358,941**	266,500
Net assets released from restrictions	**226,768**	**(226,768)**			
Total Support and Revenues	**2,216,889**	**13,718**		**2,230,607**	2,310,535
Operating Expenses					
Program	**1,796,655**			**1,796,655**	1,807,515
Administrative	**187,947**			**187,947**	190,244
Fundraising	**314,167**			**314,167**	329,433
Total Expenses	**2,298,769**			**2,298,769**	2,327,192
Change in Net Assets from Operations	**(81,880)**	**13,718**		**(68,162)**	(16,657)
Non-Operating Activities					
Contributions capital campaign		**132,400**		**132,400**	603,735
Capital campaign expense	**(293,125)**			**(293,125)**	(212,652)
Investment income - net of fees	**154,388**	**100,245**		**254,633**	3,027
Contributions and other	**30,224**	**19,669**		**49,893**	350
Net assets released from restrictions	**288,248**	**(288,248)**			
Endowment income utilized	**(358,941)**			**(358,941)**	(266,500)
Change in Net Assets from Non-Operating Activities	**(179,206)**	**(35,934)**		**(215,140)**	127,960
Total Change in Net Assets	**(261,086)**	**(22,216)**		**(283,302)**	111,303
Net Assets, Beginning of Year	**3,802,453**	**703,648**	**$ 1,042,159**	**5,548,260**	5,436,957
Net Assets, End of Year	**$ 3,541,367**	**$ 681,432**	**$ 1,042,159**	**$ 5,264,958**	$ 5,548,260

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, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

		Supporting Services			2017	2016
	Program	Administrative	Fundraising	Total	Total	Total
Salaries, taxes and benefits	$ 1,095,383	$ 114,956	$ 241,582	$ 356,538	$ 1,451,921	$ 1,392,828
In-kind food, supplies and materials	161,359	4	2,470	2,474	163,833	141,555
Professional services	52,536	29,236	73,087	102,323	154,859	165,863
Rent and security	101,412	10,555	17,984	28,539	129,951	134,883
Depreciation	116,923				116,923	116,754
Printing, postage and office supplies	36,277	3,259	44,921	48,180	84,457	79,160
Travel and transportation	62,409	5,735	9,761	15,496	77,905	77,429
Food and drinking water	70,841	3	3	6	70,847	83,702
School expenses	57,930				57,930	78,619
Telephone and communications	30,222	2,751	3,042	5,793	36,015	37,682
Repairs and maintenance	35,198	13		13	35,211	29,051
Utilities	25,261	1,197	479	1,676	26,937	30,665
Medical and family assistance	28,874				28,874	37,661
Minor furniture and equipment	26,465	1,042	1,091	2,133	28,598	10,322
Contract labor	27,804	731		731	28,535	26,967
After school activities and supplies	25,784				25,784	29,465
Staff recruitment and development	11,151	4,871	5,658	10,529	21,680	15,884
Insurance	6,413	12,043	1,358	13,401	19,814	16,210
Bank fees and services charges	1,452	1,551	16,011	17,562	19,014	19,237
Fundraising	4,046		8,760	8,760	12,806	14,989
Other						918
	1,977,740	187,947	426,207	614,154	2,591,894	2,539,844
Less:						
Capital campaign expense	(181,085)		(112,040)	(112,040)	(293,125)	(212,652)
	$ 1,796,655	$ 187,947	$ 314,167	$ 502,114	$ 2,298,769	$ 2,327,192

Consolidated Statements of Cash Flows

Year Ended June 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	**$ (283,302)**	$ 111,303
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	**116,923**	116,754
Bad debt expense		239
Increase in discount on pledges receivable	**(7,451)**	(1,451)
Noncash contribution of fixed assets		(265,000)
Realized and unrealized (gains) losses on investments, net of fees	**(194,928)**	59,081
Contributions for long lived assets	**(266,140)**	(484,392)
Gain on foreign currency translation	**(6,198)**	(34,532)
(Increase) decrease in operating assets:		
Contributions receivable	**17,922**	(14,458)
Pledge receivables- capital campaign	**337,769**	109,001
Inventories	**(22,627)**	
Prepaid expenses	**2,858**	(2,611)
Increase (decrease) in operating liabilities:		
Accounts payable	**261**	(11,949)
Due to support groups	**23,830**	(2,880)
Accrued payroll and severance	**48,943**	(17,934)
Total adjustments	**51,162**	(550,132)
Net cash flows from operating activities	**(232,140)**	(438,829)
Cash flows from investing activities		
Net change in restricted cash-capital campaign		293,544
Purchase of property and equipment	**(69,829)**	(458,130)
Purchase of investments	**(109,334)**	(61,828)
Proceeds from sale of investments	**359,022**	266,500
Collection of loans receivable		883
Net cash flows from investing activities	**179,859**	40,969
Cash flows from financing activities		
Collection of contributions for long term asset	**266,140**	484,392
Net cash flows from financing activities	**266,140**	484,392
Net change in cash	**213,859**	86,532
Cash at beginning of year	**518,465**	431,933
Cash at end of year	**$ 732,324**	$ 518,465
Supplemental disclosures of noncash investing activities:		
Schedule of noncash investing activities:		
Purchases of property and equipment	**$ 69,829**	$ 723,130
Noncash donation of property and equipment	**-**	(265,000)
Property and equipment acquired with cash	**$ 69,829**	$ 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, 2017 (With Comparative Totals for June 30, 2016)

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 working in the community of the Guatemala City garbage dump 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 more than 90 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 25 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. Two full-day 5th grade classrooms were opened in January, 2017. This extends the full-day learning program which begins at pre-k. Full-day 3rd grade classrooms and above are using an interdisciplinary curriculum called expeditionary learning that promotes hands-on experiences and critical thinking and focuses on real-world issues to provide an engaging and relevant educational experience that prepares students for jobs in the formal sector. 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.

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

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

Nature of Activities - Continued

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.

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, 2016, 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.

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

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

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, 2017 and 2016.

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.

Inventories

Inventories, which consist primarily of school supplies are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

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

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.

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, 2017, 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, 2017 and 2016 on the consolidated statement of financial position.

Operating Activities

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities and excludes contributions for non-operating purposes, such as endowments and board-designated funds, which are designated for long-term sustainability of the Organization, contributions and expenses for capital campaign, and realized and unrealized gains and losses on investments.

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 and expenses for capital campaign as well as realized and unrealized 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.

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

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

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 $74,004 and $65,146 for the years ended June 30, 2017 and 2016, 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.

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 ($2,138) and $10,349 at June 30, 2017 and 2016, 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 gains of $6,198 and $34,532 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2014 through June 30, 2017.

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.

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

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

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.
- 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, 2017 and 2016, 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 entities 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 consolidated balance sheet of the entity. 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.

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

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

Recent Accounting Pronouncements – continued

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.

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 consolidated financial statements.

Reclassification

Certain reclassifications have been made to the June 30, 2016 consolidated financial statement presentations to correspond to the current year's format. These reclassifications had no effect on the change net assets for the year ended June 30, 2016.

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, 2017 and 2016 are as follows:

	2017	2016
Unconditional promises to give before unamortized discount	**$ 508,506**	$ 857,999
Less: unamortized discount	**(4,530)**	(11,981)
Net unconditional promises to give	**$ 503,976**	$ 846,018

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

NOTE 3 – CONTRIBUTIONS RECEIVABLE - CONTINUED

	2017	2016
Amounts due in:		
Less that one year	**$ 285,638**	$ 598,837
One to five years	**222,868**	259,162
Total	**$ 508,506**	$ 857,999

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

NOTE 4 – INVESTMENTS

Investments at fair value as of June 30, 2017 and 2016 are as follows:

	2017	2016
Cash and money market funds	**$ 27,324**	$ 20,139
Mutual Funds – Fixed income	**1,324,673**	1,345,498
Mutual funds – Equity	**1,385,738**	1,426,858
	$ 2,737,735	$ 2,792,495

Investment income is summarized as follows:

	2017	2016
Interest and dividend income	**$ 59,705**	$ 62,236
Net realized and unrealized gain (loss)	**208,655**	(44,972)
Investment fees	**(13,727)**	(14,237)
	$ 254,633	$ 3,027

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.

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

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, 2017 and 2016 are as follows:

June 30, 2017	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment fund		**$ 103,602**	**$ 1,042,159**	**$ 1,145,761**
Board-designated endowment fund	**$ 1,591,974**			**1,591,974**
Totals	**$ 1,591,974**	**$ 103,602**	**$ 1,042,159**	**$ 2,737,735**

June 30, 2016				
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

Changes in donor-restricted and board-designated endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

June 30, 2017	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	**$ 1,691,647**	**$ 58,689**	**$ 1,042,159**	**$ 2,792,495**
Contributions and other amounts deposited	**30,224**	**19,669**		**49,893**
Investment return:				
Investment income, net of fees	**27,644**	**17,989**		**45,633**
Net appreciation	**126,400**	**82,255**		**208,655**
Amounts appropriated	**(283,941)**	**(75,000)**		**(358,941)**
End of year	**$ 1,591,974**	**$ 103,602**	**$ 1,042,159**	**$ 2,737,735**

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

During the years ended June 30, 2017 and 2016, the Board authorized funds from the board-designated endowment fund in the amount of $208,947 and $112,500 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, 2017 (With Comparative Totals for June 30, 2016)

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NOTE 6 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2017 and 2016:

	2017	2016
Capital campaign	**$ 334,863**	$ 365,711
Planned giving	**150,000**	200,000
Endowment earnings available for appropriation	**103,603**	58,689
Next step program (proximo paso)	**28,793**	37,218
Family nurturing program	**1,817**	6,028
Scholarships		700
Quinceanera	**1,228**	3,088
Engaging kids through technology	**21,308**	
Wellness center	**1,400**	1,400
Creamos	**25,000**	
Other	**13,420**	25,814
Deputy director salary		5,000
	$ 681,432	$ 703,648

Permanently restricted net assets consisted of the following as of June 30, 2017 and 2016:

	2017	2016
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 $38,111 and $44,321 for the years ended June 30, 2017 and 2016, 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, 2017 are as follows:

Year ending June 30,

2018	$ 25,510
2019	2,131
	$ 27,641

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

NOTE 7 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Capital Campaign

The Organization received approximately 1 acre of land located in Guatemala, on which the daycare center, occupational training center and gardens are built upon. A donor of the land is in the process to formally transfer the deed title of the land to the Organization once all licenses and approvals are obtained. The school building that came with the land was used as the base of the building. The Organization also received three structures from Telus International S.A. with an estimated contribution of $155,000 that was recorded in the building account as of June 30, 2016.

The Board directed that the building projects must be accomplished in phases dependent on financing. The plans include: *Recreational facility* – developed with the offer of help from Telus on donated land next to the entrance of the dump; *Primary School* – Renovation and expansion of the CRE Building to include purchase of the land next door; *Básico/Diversificado* – new construction on the land purchased; *Preschool* – additional construction on the current preschool site.

The Organization has an intention to pay for the new school in Guatemala for an amount not to exceed approximately $4,000,000, including substantial in-kind donations to bring the cost down significantly. Of this amount approximately $1,500,000 of expenditures has been incurred and approximately $600,000 has been capitalized in various buildings and land accounts, and approximately $450,000 is included in Construction in Progress. Next phase contingent upon funds received.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization received a land and a building described in a Note 7 Commitments and Contingencies – Capital Campaign from one of the Board of Directors in November 2015. Estimated value of land and building of $110,000 and $40,000 is recorded in the land and buildings accounts, respectively.

NOTE 9 – FAIR VALUE MEASUREMENTS

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

	Fair Value	Level 1	Level 2	Level 3
June 30, 2017				
Cash and money market funds	$ 27,324	$ 27,324		
Mutual funds – Fixed income	1,324,673	1,324,673		
Mutual funds – Equity	1,385,738	1,385,738		
Total	$ 2,737,735	$ 2,737,735	$ -	$ -

Notes to Consolidated Financial Statements

June 30, 2017 (With Comparative Totals for June 30, 2016)

NOTE 9 – FAIR VALUE MEASUREMENTS - CONTINUED

June 30, 2016	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	$ 20,139	$ 20,139		
Mutual funds – Fixed income	1,345,498	1,345,498		
Mutual funds – Equity	1,426,858	1,426,858		
Total	$ 2,792,495	$ 2,792,495	$ -	$ -

Mutual funds are valued at net asset value (NAV).

NOTE 10 – 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, 2017, is as follows:

Assets	**$ 65,028**
Liabilities	**114,652**
Net Assets (deficit)	**$ (49,624)**
Revenues	**$ 105,866**
Expenses	**106,041**
Change in Net Assets	**$ (175)**

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2017, 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.