



Consolidated Financial Report

June 30, 2018

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Independent Auditor's 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, 2018, 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.

Auditor's 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, 2018, 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.

Board of Directors
Safe Passage, Camino Seguro, and Creamos

Prior Period Financial Statements

The consolidated financial statements of Safe Passage, Camino Seguro, and Creamos' as of June 30, 2017 were audited by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report, dated November 7, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

South Portland, Maine
March 22, 2019

Consolidated Statements of Financial Position

June 30, 2018

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

	2018	2017
ASSETS		
Current Assets		
Cash	\$ 552,326	\$ 732,324
Contributions receivable	147,213	7,997
Inventories	29,772	27,364
Prepaid expenses	21,316	8,871
Total Current Assets	<u>750,627</u>	<u>776,556</u>
Property and Equipment		
Buildings and land improvements	1,237,939	1,216,289
Furniture, fixtures, and equipment	384,077	333,649
Vehicles	149,653	147,487
Leasehold improvements	10,530	10,530
Construction in progress	497,973	453,393
	<u>2,280,172</u>	<u>2,161,348</u>
Accumulated depreciation	<u>(1,155,232)</u>	<u>(1,025,718)</u>
	1,124,940	1,135,630
Land	638,277	478,089
	<u>1,763,217</u>	<u>1,613,719</u>
Other Assets		
Investments	2,739,018	2,737,735
Pledges receivables-capital campaign	369,146	495,979
	<u>3,108,164</u>	<u>3,233,714</u>
Total Assets	<u>\$ 5,622,008</u>	<u>\$ 5,623,989</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 15,650	\$ 15,443
Due to support groups	9,777	32,430
Accrued payroll and severance	284,094	311,158
Total Current Liabilities	<u>309,521</u>	<u>359,031</u>
Net Assets		
Unrestricted		
Undesignated	2,033,369	1,949,393
Board designated	1,612,460	1,591,974
Total unrestricted	<u>3,645,829</u>	<u>3,541,367</u>
Temporarily restricted	624,499	681,432
Permanently restricted	1,042,159	1,042,159
	<u>5,312,487</u>	<u>5,264,958</u>
Total Liabilities and Net Assets	<u>\$ 5,622,008</u>	<u>\$ 5,623,989</u>

See independent auditors' report.

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

Consolidated Statements of Activities

Year Ended June 30, 2018

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

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities				
Support and Revenues				
Contributions	\$ 1,242,664	\$ 122,551		\$ 1,365,215
Sponsorships	737,325			737,325
Other income	46,886			46,886
Gain on currency translation	14,091			14,091
Endowment income utilized in operations utilized for specific purpose	140,000			140,000
Net assets released from restrictions	201,718	(201,718)		
Total Support and Revenues	2,382,684	(79,167)		2,303,517
Operating Expenses				
Program	1,779,503			1,779,503
Administrative	272,984			272,984
Fundraising	284,637			284,637
Total Expenses	2,337,124			2,337,124
Change in Net Assets from Operations	45,560	(79,167)		(33,607)
Non-Operating Activities				
Contributions capital campaign		186,302		186,302
Capital campaign expense	(106,442)			(106,442)
Investment income - net of fees	82,046	59,050		141,096
Contributions and other	180			180
Net assets released from restrictions	223,118	(223,118)		
Endowment income utilized	(140,000)			(140,000)
Change in Net Assets from Non-Operating Activities	58,902	22,234		81,136
Total Change in Net Assets	104,462	(56,933)		47,529
Net Assets, Beginning of Year	3,541,367	681,432	\$ 1,042,159	5,264,958
Net Assets, End of Year	\$ 3,645,829	\$ 624,499	\$ 1,042,159	\$ 5,312,487

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, 2018

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

	Program	Supporting Services			2018	2017
		Administrative	Fundraising	Total	Total	Total
Salaries, taxes and benefits	\$ 1,028,581	\$ 139,446	\$ 218,678	\$ 358,124	\$ 1,386,705	\$ 1,451,921
In-kind food, supplies and materials	137,631	138		138	137,769	163,833
Professional services	43,812	74,453	2,036	76,489	120,301	154,859
Rent and security	87,794	17,211	15,149	32,360	120,154	129,951
Depreciation	118,474				118,474	116,923
Printing, postage and office supplies	36,299	4,466	37,976	42,442	78,741	84,457
Travel and transportation	50,215	8,595	5,423	14,018	64,233	77,905
Food and drinking water	67,234				67,234	70,847
School expenses	58,277				58,277	57,930
Telephone and communications	28,172	4,922	2,105	7,027	35,199	36,015
Repairs and maintenance	29,428				29,428	35,211
Utilities	23,839	3,111	1,232	4,343	28,182	26,937
Medical and family assistance	28,336				28,336	28,874
Minor furniture and equipment	12,041	1,579	1,454	3,033	15,074	28,598
Contract labor	50,628				50,628	28,535
After school activities and supplies	24,555				24,555	25,784
Staff recruitment and development	13,568	7,778	4,069	11,847	25,415	21,680
Insurance	11,257	9,753	1,506	11,259	22,516	19,814
Bank fees and services charges	1,853	1,497	15,335	16,832	18,685	19,014
Fundraising	4,902	35	8,723	8,758	13,660	12,806
	<u>1,856,896</u>	<u>272,984</u>	<u>313,686</u>	<u>586,670</u>	<u>2,443,566</u>	<u>2,591,894</u>
Less:						
Capital campaign expense	(77,393)		(29,049)	(29,049)	(106,442)	(293,125)
	<u>\$ 1,779,503</u>	<u>\$ 272,984</u>	<u>\$ 284,637</u>	<u>\$ 557,621</u>	<u>\$ 2,337,124</u>	<u>\$ 2,298,769</u>

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, 2018

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

	2018	2017
Cash flows from operating activities		
Change in net assets	<u>\$ 47,529</u>	<u>\$ (283,302)</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	118,474	116,923
Discount on pledges receivable	(4,530)	(7,451)
Gain on investments, net of fees	(78,219)	(194,928)
Contributions for long lived assets	(156,026)	(266,140)
(Gain) loss on foreign currency translation	(14,091)	(6,198)
(Increase) decrease in operating assets:		
Contributions receivable	(19,353)	17,922
Pledge receivables- capital campaign	25,591	337,769
Inventories	(2,408)	(22,627)
Prepaid expenses	(12,445)	2,858
Increase (decrease) in operating liabilities:		
Accounts payable	207	261
Due to support groups	(22,653)	23,830
Accrued payroll and severance	(27,064)	48,943
Total adjustments	<u>(192,517)</u>	<u>51,162</u>
Net cash flows from operating activities	<u>(144,988)</u>	<u>(232,140)</u>
Cash flows from investing activities		
Purchase of property and equipment	(267,972)	(69,829)
Purchase of investments	(148,500)	(109,334)
Proceeds from sale of investments	<u>225,436</u>	<u>359,022</u>
Net cash flows from investing activities	<u>(191,036)</u>	<u>179,859</u>
Cash flows from financing activities		
Collection of contributions for long term asset	<u>156,026</u>	<u>266,140</u>
Net cash flows from financing activities	<u>156,026</u>	<u>266,140</u>
Net change in cash	(179,998)	213,859
Cash at beginning of year	<u>732,324</u>	<u>518,465</u>
Cash at end of year	<u>\$ 552,326</u>	<u>\$ 732,324</u>

See independent auditors' report.

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

Notes to Consolidated Financial Statements

June 30, 2018 (With Comparative Totals for June 30, 2017)

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 3 to 6 years old, an official full-day Primary School that now includes 1st through 5th grade, a full day Middle School (Basico) that by 2021 will be completed up to grade 9 and a half-day Educational Reinforcement Program for school-age students 6th grade and above (ages 10 to 21) who attend local schools. The Organization currently assists over 500 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 located in Guatemala City and centered at the Early Childhood Center, Colegio Experimental Hanley Denning and the Multi-purpose Center, all three built with donated funds. The physical plant, including classrooms, a computer lab, library, and health clinic, and administrative facilities, is well-equipped and maintained.

The Organization employs more than 95 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 New Gloucester, Maine. Paid staff in Guatemala work closely with international and Guatemalan volunteers who serve the Organization through commitments of varying duration. Each year, approximately 15 long-term volunteers fill teaching and operational positions and more than 310 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. With the school expanding to 6th and 7th grade respectively during the years 2018 and 2019. 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 Ministry of Education has now accredited the Expeditionary Learning approach for use by Safe Passage in its educational programs in Guatemala. Other programs 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 parent’ 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, 2018 (With Comparative Totals for June 30, 2017)

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, 2017, 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, 2018 (With Comparative Totals for June 30, 2017)

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, 2018 and 2017.

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 consist primarily of school supplies. For 2018 and 2017 inventories have been stated at the lower of cost or net realizable value, principally using the first-in, first-out (FIFO) method. Donated items are recorded at estimated fair value at the date of donation.

Notes to Consolidated Financial Statements

June 30, 2018 (With Comparative Totals for June 30, 2017)

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, 2018, 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, 2018 and 2017 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, 2018 (With Comparative Totals for June 30, 2017)

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 \$41,869 and \$74,004 for the years ended 2018 and 2017, 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 \$11,953 and \$(2,138) at June 30, 2018 and 2017, 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, 2018 and 2017, 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, 2015 through June 30, 2018.

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, 2018 (With Comparative Totals for June 30, 2017)

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 2018 and 2017, 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, 2018 (With Comparative Totals for June 30, 2017)

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.

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, 2018 and 2017 are, as follows:

	2018	2017
Unconditional promises to give before unamortized discount	\$ 682,359	\$ 674,506
Less: unamortized discount	<u>(166,000)</u>	<u>(170,530)</u>
Net unconditional promises to give	<u>\$ 516,359</u>	<u>\$ 503,976</u>

Notes to Consolidated Financial Statements

June 30, 2018 (With Comparative Totals for June 30, 2017)

NOTE 3 – CONTRIBUTIONS RECEIVABLE – CONTINUED

Amounts due in:		
Less that one year	\$ 250,209	\$ 285,638
One to five years	116,140	72,868
More than five years	316,000	316,000
Total	<u>\$ 682,359</u>	<u>\$ 674,506</u>

Discount rates used for the calculation of the unamortized discount range from 2% to 3%.

NOTE 4 – INVESTMENTS

Investments at fair value as of June 30, 2018 and 2017 are, as follows:

	2018	2017
Cash and money market funds	\$ 38,176	\$ 27,324
Mutual funds – fixed income	1,357,517	1,324,673
Mutual funds – equity	1,343,325	1,385,738
	<u>\$ 2,739,018</u>	<u>\$ 2,737,735</u>

Investment income is summarized as follows:

	2018	2017
Interest and dividend income	\$ 62,877	\$ 59,705
Net gain	91,798	208,655
Investment fees	(13,579)	(13,727)
	<u>\$ 141,096</u>	<u>\$ 254,633</u>

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, 2018 (With Comparative Totals for June 30, 2017)

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.

Endowment net asset compositions by type of fund as of June 30, 2018 and 2017 are, as follows:

June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund		\$ 84,392	\$ 1,042,159	\$ 1,126,551
Board-designated endowment fund	<u>\$ 1,612,460</u>			<u>1,612,460</u>
Totals	<u>\$ 1,612,460</u>	<u>\$ 84,392</u>	<u>\$ 1,042,159</u>	<u>\$ 2,739,011</u>
June 30, 2017				
Donor-restricted endowment fund		\$ 103,602	\$ 1,042,159	\$ 1,145,761
Board-designated endowment fund	<u>\$ 1,591,974</u>			<u>1,591,974</u>
Totals	<u>\$ 1,591,974</u>	<u>\$ 103,602</u>	<u>\$ 1,042,159</u>	<u>\$ 2,737,735</u>

Changes in donor-restricted and board-designated endowment net assets for the years ended 2018 and 2017 are, as follows:

June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 1,591,974	\$ 103,602	\$ 1,042,159	\$ 2,737,735
Contributions and other amounts deposited	180			180
Investment return:				
Investment income, net of fees	28,666	20,632		49,298
Net gain	53,380	38,418		91,798
Transfers	19,669	(19,669)		
Amounts appropriated	<u>(81,409)</u>	<u>(58,591)</u>		<u>(140,000)</u>
End of year	<u>\$ 1,612,460</u>	<u>\$ 84,392</u>	<u>\$ 1,042,159</u>	<u>\$ 2,739,011</u>
June 30, 2017				
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 gain	126,400	82,255		208,655
Amounts appropriated	<u>(283,941)</u>	<u>(75,000)</u>		<u>(358,941)</u>
End of year	<u>\$ 1,591,974</u>	<u>\$ 103,602</u>	<u>\$ 1,042,159</u>	<u>\$ 2,737,735</u>

During the years ended June 30, 2018 and 2017, the Board authorized funds from the board-designated endowment fund in the amount of \$0 and \$208,941 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, 2018 (With Comparative Totals for June 30, 2017)

NOTE 6 – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2018 and 2017:

	2018	2017
Capital campaign	\$ 366,319	\$ 334,863
Pledges for capacity building	150,000	150,000
Endowment earnings available for appropriation	84,392	103,602
Next step program (proximo paso)	3,372	28,793
Family nurturing program	913	1,818
Quinceanera	3,155	1,228
Engaging kids through technology		21,308
Wellness center		1,400
Creamos		25,000
Other	16,348	13,420
	<u>\$ 624,499</u>	<u>\$ 681,432</u>

Permanently restricted net assets consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Endowment - to support future operations	<u>\$ 1,042,159</u>	<u>\$ 1,042,159</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Leases

The Organization executed an operating lease commitment in excess of one year, in September 2017, for the administration offices in New Gloucester, Maine, with an expiration date of October 2022, with monthly lease payments of \$1,625 through October 31, 2018 and an increase of 2% each year thereafter. The Organization leases other office spaces under month-to-month operating leases. Total rent expense was \$28,644 and \$38,111 for the years ended 2018 and 2017, 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, 2018 are, as follows:

Year ending June 30,	
2019	\$ 19,757
2020	20,156
2021	20,561
2022	20,976
2023	7,039
	<u>\$ 88,489</u>

Notes to Consolidated Financial Statements

June 30, 2018 (With Comparative Totals for June 30, 2017)

NOTE 7 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Capital Campaign

In 2005, the Organization received from Rellenos de Guatemala S.A. the right to use for free a piece of land on which the day care center, operational offices, the warehouse, an in-door gym, an out-door basketball/soccer court are built on. The same donor offered a second property, right next to the entrance of the dump. The land and buildings are getting used by Camino Seguro as an academic support and external certification program for Basico and Diversificado students, Adult Education, tutoring, mentoring, sports and Saturday activities and by Creamos. The 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 2016.

The Board directed that a building project be carried out to construct a multipurpose center – developed with the offer of help from Telus on donated land next to the entrance of the dump; *Primary School* – Future projects will include air handling and internal space renovation at the Multipurpose Center, that project was completed in 2017. Future projects will include a new playground and expansion of multi-use facilities next to the Colegio Experimental Hanley Denning, constructed on land purchased through a large donation. Finally, a future Basico Building is being considered and would located on previously purchased land next door to its present administrative and medical facility located in close proximity to its existing three educational centers for Pre-K to 7th Grade. The next phase is 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, 2018				
Cash and money market funds	\$ 38,176	\$ 38,176		
Mutual funds – fixed income	1,357,517	1,357,517		
Mutual funds – equity	1,343,325	1,343,325		
Total	<u>\$ 2,739,018</u>	<u>\$ 2,739,018</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Consolidated Financial Statements

June 30, 2018 (With Comparative Totals for June 30, 2017)

NOTE 9 – FAIR VALUE MEASUREMENTS – CONTINUED

	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	<u>\$ 2,737,735</u>	<u>\$ 2,737,735</u>	<u>\$ -</u>	<u>\$ -</u>

Mutual funds are based on the quoted net asset value of shares reported by the funds as of the last business day of the fiscal year.

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 2018 is, as follows:

Assets	\$ 122,368
Liabilities	<u>9,384</u>
Net Assets	<u>\$ 112,984</u>
Revenues	\$ 139,503
Expenses	<u>97,561</u>
Change in Net Assets	<u>\$ 41,942</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2019, 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.