

# Safe Passage Camino Seguro Creamos

Consolidated Financial Statement

Year ended June 30, 2019





## **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 (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, 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; 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. 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 financial position of Safe Passage, Camino Seguro, and Creamos as of June 30, 2019, and the results of the consolidated changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.



**Emphasis of Matter**

As discussed in Note 1 to the financial statements, Organization adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities, as of and for the year ended June 30, 2019. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

**Report on Summarized Comparative Information**

We have previously audited Safe Passage, Camino Seguro, and Creamos' 2018 consolidated financial statements, and our report, dated March 22, 2019, 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, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Wipfli LLP*

South Portland, Maine  
December 10, 2019

Wipfli LLP

# Safe Passage, Camino Seguro, and Creamos

## Consolidated Statements of Financial Position

(With Summarized Comparative Totals as of June 30, 2018)

June 30,	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash	\$ 552,992	\$ 552,326
Contributions receivable	146,411	147,213
Inventories	29,258	29,772
Prepaid expenses	35,394	21,316
Total current assets	764,055	750,627
Property and Equipment, net	1,676,391	1,763,217
Other Assets		
Investments	2,730,758	2,739,018
Contributions receivables-other -net of current portion	190,855	251,293
Contributions receivables-capital purposes	27,000	117,853
Total other assets	2,948,613	3,108,164
<b>TOTAL ASSETS</b>	<b>\$ 5,389,059</b>	<b>\$ 5,622,008</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 11,943	\$ 15,650
Due to support groups	19,262	9,777
Accrued payroll and severance	328,053	284,094
Total current liabilities	359,258	309,521
Net Assets		
Without Donor restrictions		
Undesignated	1,750,497	1,905,507
Board designated - endowment	1,607,631	1,612,460
Total without donor restrictions	3,358,128	3,517,967
With Donor Restrictions		
Time and purpose restricted	629,514	752,361
Perpetual in nature	1,042,159	1,042,159
Total with donor restrictions	1,671,673	1,794,520
Total net assets	5,029,801	5,312,487
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,389,059</b>	<b>\$ 5,622,008</b>

See accompanying notes to financial statements.

# Safe Passage, Camino Seguro, and Creamos

## Statements of Activities

(With Summarized Comparative Totals as of June 30, 2018)

Years ended June 30,	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Operating Activities</b>				
<b>Revenues</b>				
Contributions	\$ 1,323,047	\$ 149,502	\$ 1,472,549	\$1,512,057
Sponsorships	492,161		492,161	737,325
Other income	67,635		67,635	46,886
Gain (loss) on currency translation	(8,058)		(8,058)	14,091
Endowment income utilized in operations for specific purpose	130,000		130,000	140,000
Net assets released from restrictions	273,915	(273,915)		
<b>Total revenues</b>	<b>2,278,700</b>	<b>(124,413)</b>	<b>2,154,287</b>	<b>2,450,359</b>
<b>Operating Expenses</b>				
Program	1,817,932		1,817,932	1,856,896
Administrative	286,598		286,598	272,984
Fundraising	353,892		353,892	292,986
<b>Total expenses</b>	<b>2,458,422</b>		<b>2,458,422</b>	<b>2,422,866</b>
<b>Change in Net Assets - Operations</b>	<b>(179,722)</b>	<b>(124,413)</b>	<b>(304,135)</b>	<b>27,493</b>
<b>Non-Operating Activities</b>				
Contributions capital campaign	180	29,529	29,709	39,640
Capital campaign expense			-	(20,700)
Investment income	71,667	50,073	121,740	141,096
Net assets released from restrictions	78,036	(78,036)		
Endowment income utilized	(130,000)		(130,000)	(140,000)
<b>Change in Net Assets - Non-Operating</b>	<b>19,883</b>	<b>1,566</b>	<b>21,449</b>	<b>20,036</b>
<b>Total Change in Net Assets</b>	<b>(159,839)</b>	<b>(122,847)</b>	<b>(282,686)</b>	<b>47,529</b>
<b>Net Assets, Beginning of Year</b>	<b>3,517,967</b>	<b>1,794,520</b>	<b>5,312,487</b>	<b>5,264,958</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,358,128</b>	<b>\$ 1,671,673</b>	<b>\$ 5,029,801</b>	<b>\$ 5,312,487</b>

See accompanying notes to financial statements.

# Safe Passage, Camino Seguro, and Creamos

## Consolidated Statements of Functional Expenses

(With Summarized Comparative Totals for the Year Ended June 30, 2018)

Years ended June 30,	2019			2019	2018
	Program	Administrative	Fundraising	Total	Total
Salaries, taxes and benefits	\$998,069	\$184,594	\$253,609	\$1,436,272	\$1,386,705
In-kind food, supplies and materials	121,416	400	1,045	122,861	137,769
Professional services	75,647	35,694		111,341	120,301
Rent and security	78,524	20,098	15,991	114,613	120,154
Depreciation	141,830			141,830	118,474
Printing, postage and office supplies	25,561	4,847	38,128	68,536	78,741
Travel and transportation	48,139	6,964	9,396	64,499	64,233
Food and drinking water	55,289			55,289	67,234
School expenses	39,704			39,704	58,277
Telephone and communications	26,317	6,202	2,212	34,731	35,199
Repairs and maintenance	32,143			32,143	29,428
Utilities	21,804	3,831	1,891	27,526	28,182
Medical and family assistance	18,971			18,971	28,336
Minor furniture and equipment	20,540	1,301	1,341	23,182	15,074
Other expenses	50,182		5,286	55,468	50,628
After school activities and supplies	19,293	104		19,397	24,555
Staff recruitment and development	21,348	8,846	2,763	32,957	25,415
Insurance	9,203	12,239	1,524	22,966	22,516
Bank fees and services charges	981	1,460	15,552	17,993	18,685
Fundraising	12,971	18	5,154	18,143	13,660
<b>Total expenses</b>	<b>\$1,817,932</b>	<b>\$286,598</b>	<b>\$353,892</b>	<b>\$2,458,422</b>	<b>2,443,566</b>
Less: Capital campaign expense				-	(20,700)
<b>Total</b>	<b>\$1,817,932</b>	<b>\$286,598</b>	<b>\$353,892</b>	<b>\$2,458,422</b>	<b>\$2,422,866</b>

See accompanying notes to financial statements.

# Safe Passage, Camino Seguro, and Creamos

## Consolidated Statements of Cash Flows

(With Summarized Comparative Totals for the Year Ended June 30, 2018)

Years ended June 30,	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (282,686)	\$ 47,529
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	141,830	118,474
Bad debt expense	5,336	
Gain on investments, net of fees	(68,533)	(91,798)
Contributions for long lived assets	(29,529)	(52,460)
(Gain) loss on foreign currency translation	8,058	(14,091)
(Increase) decrease in:		
Contributions receivable	53,182	(58,047)
Inventories	514	(2,408)
Prepaid expenses	(14,078)	(12,445)
Increase (decrease) in:		
Accounts payable	(3,707)	207
Due to support groups	9,485	(22,653)
Accrued payroll and severance	43,959	(27,064)
<b>Net cash flows from operating activities</b>	<b>(136,169)</b>	<b>(114,756)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(55,004)	(267,972)
Purchase of investments	(841,347)	(134,921)
Proceeds from sale of investments	918,140	225,436
<b>Net cash flows from investing activities</b>	<b>21,789</b>	<b>(177,457)</b>
<b>Cash flows from financing activities</b>		
Collection of contributions for long term assets	115,046	112,215
<b>Net cash flows from financing activities</b>	<b>115,046</b>	<b>112,215</b>
<b>Net change in cash</b>	<b>666</b>	<b>(179,998)</b>
<b>Cash at beginning of year</b>	<b>552,326</b>	<b>732,324</b>
<b>Cash at end of year</b>	<b>\$ 552,992</b>	<b>\$ 552,326</b>

See accompanying notes to financial statements.

# **Safe Passage, Camino Seguro, and Creamos**

## **Notes to Financial Statements**

### **(With Summarized Comparative Totals as of June 30, 2018)**

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#### **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 1<sup>st</sup> through 5<sup>th</sup> 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 6<sup>th</sup> 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 1<sup>st</sup> grade classrooms in January 2013, with accreditation from the Guatemalan Ministry of Education based on an active learning Montessori-based approach to learning. A full day 2<sup>nd</sup> grade was launched the following year and those students moved to a full-day 4<sup>th</sup> grade in January 2016. Two full-day 5<sup>th</sup> grade classrooms were opened in January 2017. With the school expanding to 6<sup>th</sup> and 7<sup>th</sup> grade respectively during the years 2018 and 2019. This extends the full-day learning program which begins at pre-k. Full-day 3<sup>rd</sup> 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.



# Safe Passage, Camino Seguro, and Creamos

## Notes to Financial Statements

### (With Summarized Comparative Totals as of June 30, 2018)

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#### **Note 1: Nature of the Organizations and Significant Accounting Policies** (Continued)

##### **Nature of Activities** (Continued)

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.

The Organization remains dependent 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 accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported, as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of contribution.

Board designated net assets included in the net asset without donor restriction 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.

Net assets with donor restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources must be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which .

# **Safe Passage, Camino Seguro, and Creamos**

## **Notes to Financial Statements**

### **(With Summarized Comparative Totals as of June 30, 2018)**

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#### **Note 1: Nature of the Organizations and Significant Accounting Policies** (Continued)

##### **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, 2018, from which the summarized information was derived.

##### **Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

##### **Reclassification**

Certain 2018 amounts have been reclassified to conform with 2019 presentation, primarily a reclassification of net assets. Net assets in the amount of \$127,862 were reclassified as of the beginning of 2019 from without donor restriction to with donor restriction. Total net assets did not change.

##### **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, 2019 and 2018.

##### **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.

# **Safe Passage, Camino Seguro, and Creamos**

## **Notes to Financial Statements**

### **(With Summarized Comparative Totals as of June 30, 2018)**

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#### **Note 1: Nature of the Organizations and Significant Accounting Policies** (Continued)

##### **Investments** (Continued)

The Organization's investment policy and spending policy for donor 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 3% 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. 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.

##### **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 perpetual in nature (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted 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 perpetual in nature is classified as time and purpose restricted 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 donor restricted funds until released by the Board of Directors.

# **Safe Passage, Camino Seguro, and Creamos**

## **Notes to Financial Statements**

### **(With Summarized Comparative Totals as of June 30, 2018)**

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#### **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, 2019, 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, 2019 and 2018 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 net assets without donor restriction 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 net assets with donor restriction. When a restriction expires, net assets are reclassified and reported in the consolidated statement of activities as net assets released 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 \$39,944 and \$41,869 for the years ended 2019 and 2018, respectively, and are included in the consolidated statement of activities.

# **Safe Passage, Camino Seguro, and Creamos**

## **Notes to Financial Statements**

### **(With Summarized Comparative Totals as of June 30, 2018)**

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#### **Note 1: Nature of the Organizations and Significant Accounting Policies** (Continued)

##### **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 various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Direct costs necessary for operations are charged to the program or activity. Certain expenses, including office expenses, professional fees, and depreciation are allocated to program services and supporting services based on time and effort of direct employees.

##### **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 \$3,895 and \$11,953

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, 2019 and 2018, 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, 2016 through June 30, 2019.

##### **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.

# Safe Passage, Camino Seguro, and Creamos

## Notes to Financial Statements

### (With Summarized Comparative Totals as of June 30, 2018)

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#### **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 2019 and 2018, 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:

- 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.

# Safe Passage, Camino Seguro, and Creamos

## Notes to Financial Statements

### (With Summarized Comparative Totals as of June 30, 2018)

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#### **Note 1: Nature of the Organizations and Significant Accounting Policies** (Continued)

##### **Recently Adopted Accounting Pronouncements**

###### *Not-for-Profit Entities*

The financial statements for the year ended June 30, 2019, have been prepared in accordance with FASB ASU 2016-14 (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (“Update”). The update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit's to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance, and cash flows. The guidance in this ASU is effective for the year ended 2019, and was applied retrospectively to these financial statements with the exception of the omission of certain information as permitted by the ASU.

##### **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. The new standard is effective for the year ending June 2022. 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 new standard is effective for the year ending June 2020. Management is currently evaluating the impact of adoption on its consolidated financial statements.

###### *Contributions*

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This update is to provide guidance for not-for-profit entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchanges (reciprocal transactions) and determining whether a contribution is conditional. The update is effective for the year ending 2020. Management is currently evaluating the impact of adoption on its financial statements.

# Safe Passage, Camino Seguro, and Creamos

## Notes to Financial Statements

### (With Summarized Comparative Totals as of June 30, 2018)

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#### Note 2: Liquidity and Availability of Financial Resources

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets available for general expenditure, that is, without donor or board designations limiting their use, within one year of the statement of financial position date, comprise the following:

Year Ended June 30,	2019
Cash and cash equivalents	\$ 368,712
Contributions receivable	146,411
Amounts available from spending formula - board designated	77,000
<b>Total</b>	<b>\$ 592,123</b>

#### Note 3: 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 4: Contributions Receivable

Contributions receivable are as follows at June 30:

	2019	2018
Unconditional promises to give	\$ 534,266	\$ 682,359
Less: unamortized discount	(170,000)	(166,000)
<b>Net unconditional promises to give</b>	<b>364,266</b>	<b>516,359</b>
Amounts due in:		
Less than one year (including capital purposes of \$27,000 and \$103,006 respectively)	173,411	250,219
One to five years	40,855	116,140
More than five years	320,000	316,000
<b>Total</b>	<b>\$ 534,266</b>	<b>\$ 682,359</b>

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



**Safe Passage, Camino Seguro, and Creamos**  
**Notes to Financial Statements**  
**(With Summarized Comparative Totals as of June 30, 2018)**

**Note 5: Investments**

Investments at fair value are, as follows at June 30:

	2019	2018
Cash and money market funds	\$ 33,401	\$ 38,176
Mutual funds - fixed income	1,352,400	1,357,517
Mutual funds - equity	1,344,957	1,343,325
<b>Total</b>	<b>\$ 2,730,758</b>	<b>\$ 2,739,018</b>

Investment income is summarized as follows for the years ended June 30:

	2019	2018
Interest and dividend income	\$ 66,468	\$ 62,877
Net gain	68,533	91,798
Investment fees	(13,261)	(13,579)
<b>Total</b>	<b>\$ 121,740</b>	<b>\$ 141,096</b>

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 6: Endowment Funds**

The Organization's endowment fund consists of a donor-restricted fund and a board designated fund that functions as an endowment.

Endowment net asset compositions by type of fund as of June 30, 2019 and 2018 are, as follows:

June 30, 2019	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment fund		\$ 1,123,127	\$ 1,123,127
Board-designated endowment fund	\$ 1,607,631		1,607,631
<b>Total</b>	<b>\$ 1,607,631</b>	<b>\$ 1,123,127</b>	<b>\$ 2,730,758</b>

**Safe Passage, Camino Seguro, and Creamos**  
**Notes to Financial Statements**  
**(With Summarized Comparative Totals as of June 30, 2018)**

**Note 6: Endowment Funds** (Continued)

June 30, 2018	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment fund		\$ 1,126,558	\$ 1,126,558
Board-designated endowment fund	\$ 1,612,460		1,612,460
<b>Total</b>	<b>\$ 1,612,460</b>	<b>\$ 1,126,558</b>	<b>\$ 2,739,018</b>

Changes in endowment net assets for the years ended 2019 and 2018 are, as follows:

June 30, 2019	Without donor restriction	With donor restriction	Total
Beginning of year	\$ 1,612,460	\$ 1,126,558	\$ 2,739,018
Investment return:			
Investment income, net of fees	31,328	21,879	53,207
Net gain	40,376	28,157	68,533
Amounts appropriated	(76,533)	(53,467)	(130,000)
<b>End of year</b>	<b>\$ 1,607,631</b>	<b>\$ 1,123,127</b>	<b>\$ 2,730,758</b>

June 30, 2018	Without donor restriction	With donor restriction	Total
Beginning of year	\$ 1,591,974	\$ 1,145,768	\$ 2,737,742
Contributions and other	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	(81,409)	(58,591)	(140,000)
<b>End of year</b>	<b>\$ 1,612,460</b>	<b>\$ 1,126,558</b>	<b>\$ 2,739,018</b>

**Safe Passage, Camino Seguro, and Creamos**  
**Notes to Financial Statements**  
**(With Summarized Comparative Totals as of June 30, 2018)**

**Note 7: Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following purposes at June 30, 2019 and 2018:

	2019	2018
Time and purpose restricted:		
Capital campaign	\$ 189,266	\$ 245,709
Contribution receivable - Annual fund	172,818	248,466
Contributions receivable - capacity building	150,000	150,000
Endowment earnings available for appropriation	80,968	84,399
Contribution receivable - rotary	22,662	23,787
Other	13,800	
Total time and purpose restricted	629,514	752,361
Perpetual in nature:		
Endowment - to support future operations	1,042,159	1,042,159
Total net assets with donor restrictions	\$ 1,671,673	\$ 1,794,520

**Note 8: Property and Equipment**

Property and equipment consisted of the following at June 30:

	2019	2018
Property and Equipment		
Buildings and land improvements	\$ 1,231,363	\$ 1,237,939
Furniture, fixtures, and equipment	431,951	384,077
Vehicles	130,545	149,653
Leasehold improvements	10,530	10,530
Construction in progress	514,829	497,973
	2,319,218	2,280,172
Accumulated depreciation	(1,277,993)	(1,155,232)
	1,041,225	1,124,940
Land	635,166	638,277
Property and Equipment, net	\$ 1,676,391	\$ 1,763,217

**Note 9: 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. The Organization leases other office spaces under month-to-month operating leases. Total rent expense was \$24,910 and \$28,644 for the years ended 2019 and 2018, respectively.

# Safe Passage, Camino Seguro, and Creamos

## Notes to Financial Statements

### (With Summarized Comparative Totals as of June 30, 2018)

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#### **Note 9: Commitments and Contingencies** (Continued)

The future minimum rental payments under non-cancelable operating leases having an initial or remaining term in excess of one year as of June 30, 2019 are, as follows:

2020	\$	20,156
2021		20,561
2022		20,976
2023		7,039
<b>Total</b>	<b>\$</b>	<b>68,732</b>

#### **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 be 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 7<sup>th</sup> Grade. The next phase is contingent upon funds received.

#### **Note 10: Related Party Transactions**

The Organization received a land and a building described in a Note 9 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.

# Safe Passage, Camino Seguro, and Creamos

## Notes to Financial Statements

### (With Summarized Comparative Totals as of June 30, 2018)

#### Note 11: Fair Value Measurements

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

As of June 30, 2019	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	\$ 33,401	\$ 33,401	\$ -	\$ -
Mutual funds - fixed income	1,352,400	1,352,400	-	-
Mutual funds - equity	1,344,957	1,344,957	-	-
<b>Total</b>	<b>\$ 2,730,758</b>	<b>\$ 2,730,758</b>	<b>\$ -</b>	<b>\$ -</b>

As of June 30, 2018	Fair Value	Level 1	Level 2	Level 3
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	-	-
<b>Total</b>	<b>\$ 2,739,018</b>	<b>\$ 2,739,018</b>	<b>\$ -</b>	<b>\$ -</b>

#### Note 12: 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 years ended 2019 and 2018 is, as follows:

	2019	2018
Assets	\$ 100,649	\$ 122,368
Liabilities	2,292	9,384
<b>Net Assets Without Restrictions</b>	<b>98,357</b>	<b>112,984</b>
Revenues	115,147	139,503
Expenses	129,774	97,561
<b>Change in Net Assets Without Restrictions</b>	<b>\$ (14,627)</b>	<b>\$ 41,942</b>

**Safe Passage, Camino Seguro, and Creamos**  
**Notes to Financial Statements**  
**(With Summarized Comparative Totals as of June 30, 2018)**

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**Note 13: Subsequent Events**

Management has evaluated subsequent events through December 10, 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.