Safe Passage
Camino Seguro

Financial Statements

December 31, 2021 and 2020

CONTENTS

Nonprofit Accounting & Consulting Specialists

Independent Auditors' Report

Board of Directors
Safe Passage and Camino Seguro
New Gloucester, Maine

Opinion

We have audited the accompanying consolidated financial statements of Safe Passage and Camino Seguro, (the "organization"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the year and eighteen months, respectively then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Safe Passage and Camino Seguroas of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year and eighteen months, respectively then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Safe Passage and Camino Seguro and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Safe Passage and Camino Seguro's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of Safe Passage and Camino Seguro's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Safe Passage and Camino Seguro's, ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

As stated in the opinion section of this letter, the financial statements of Safe Passage and Camino Seguro present fairly, in all material respects, the financial position of Safe Passage and Camino Seguro, and as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year and eighteen months, respectively then ended in accordance with accounting principles generally accepted in the United States of America.

PGM, LLC

Biddeford, Maine
July 29, 2022

Consolidated Statements of Financial Position

December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash	$ 673,756	$ 680,845
Contributions receivable	99,579	102,981
Inventories	34,809	28,245
Prepaid expenses	76,350	32,002
Total Current Assets	884,494	844,073
Property and Equipment, net	1,829,802	1,703,662
Other Assets		
Investments	3,233,607	2,991,176
Cash - Capital Campaign	859,715	3,402
Contributions receivable - other - net of current portion	153,006	150,000
Total Other Assets	4,246,328	3,144,578
Total Assets	$ 6,960,624	$ 5,692,313
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	9,536	5,716
Due to support groups	4,000	4,000
Accrued payroll and severance	380,595	368,521
Total Current Liabilities	394,131	378,237
Net Assets		
Without donor restrictions		
Undesignated	2,216,059	1,864,558
Board designated reserve	1,898,138	1,761,277
Total without donor restrictions	4,114,197	3,625,835
With donor restrictions		
Time and purpose restricted	1,410,137	646,082
Perpetual in nature (Endowment)	1,042,159	1,042,159
Total with donor restrictions	2,452,296	1,688,241
Total Net Assets	6,566,493	5,314,076
Total Liabilities and Net Assets	$ 6,960,624	$ 5,692,313

Consolidated Statement of Activities

Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Operating Activities			
Revenues			
Contributions	$ 1,852,794	$ 66,027	$ 1,918,821
Sponsorships	462,839		462,839
Other income	9,967		9,967
Gain(loss) on currency translation	22,605		22,605
Endowment income utilized in operations for a specific purpose	85,000		85,000
Net assets released from restrictions	142,048	(142,048)	
Total Revenues	2,575,253	(76,021)	2,499,232
Expenses			
Program	1,658,172		1,658,172
Administrative	279,469		279,469
Fundraising	559,571		559,571
Total expenses	2,497,212		2,497,212
Change in Net Assets - Operations	78,041	(76,021)	2,020
Non-Operating Activites			
Contributions capital campaign		1,090,819	1,090,819
Investment income	186,315	141,116	327,431
Net assets released from restrictions	391,859	(391,859)	
Transfers to Creamos	(82,853)		(82,853)
Endowment income utilized	(85,000)	-	(85,000)
Change in Net Assets - Non - Operating	410,321	840,076	1,250,397
Total Change in Net Assets	488,362	764,055	1,252,417
Net Assets, Beginning of Period	3,625,835	1,688,241	5,314,076
Net Assets, End of Period	$ 4,114,197	$ 2,452,296	$ 6,566,493

Consolidated Statement of Activities

Eighteen Months Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Operating Activities			
Revenues			
Contributions	$ 2,589,304	$ 236,534	$ 2,825,838
Sponsorships	731,934		731,934
Other income	137,760		137,760
Gain(loss) on currency translation	(58,244)		(58,244)
Endowment income utilized in operations for a specific purpose	160,000		160,000
Net assets released from restrictions	340,360	(340,360)	
Total Revenues	3,901,114	(103,826)	3,797,288
Expenses			
Program	2,793,852		2,793,852
Administrative	395,717		395,717
Fundraising	615,940		615,940
Total expenses	3,805,509		3,805,509
Change in Net Assets - Operations	95,605	(103,826)	(8,221)
Non-Operating Activites			
Contributions capital campaign		31,499	31,499
Investment income	248,625	172,372	420,997
Net assets released from restrictions	83,477	(83,477)	
Endowment income utilized	(160,000)		(160,000)
Change in Net Assets - Non - Operating	172,102	120,394	292,496
Total Change in Net Assets	267,707	16,568	284,275
Net Assets, Beginning of Year	3,358,128	1,671,673	5,029,801
Net Assets, End of Year	$ 3,625,835	$ 1,688,241	$ 5,314,076

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program	Administrative	Fundraising	Total
Salaries, taxes and benefits	$ 967,697	$ 185,831	$ 353,721	$ 1,507,249
In-kind food, supplies and materials	89,324	13	600	89,937
Professional services	36,989	40,628	37,995	115,612
Rent and security	83,378	14,576	19,482	117,436
Depreciation	62,729	447		63,176
Printing, postage and office supplies	11,326	4,929	44,709	60,964
Travel and transportation	10,470	3,597	4,305	18,372
Food and drinking water	2,754			2,754
School expenses	26,610			26,610
Telephone and communications	23,871	4,517	3,693	32,081
Repairs and maintenance	43,311		19	43,330
Utilities	12,125	1,870	2,143	16,138
Medical and family assistance	107,397	452		107,849
Minor furniture and equipment	22,665	755	2,244	25,664
Other expenses	3,205			3,205
After school activities and supplies	5,804	39		5,843
Staff recruitment and development	553	8,296	5,355	14,204
Insurance	8,881	12,672	2,203	23,756
Bank fees and service charges	2,118	847	15,392	18,357
Fundraising	111		12,710	12,821
Transfers to Creamos	136,854			136,854
Bad debt			55,000	55,000
Total Expenses	$ 1,658,172	$ 279,469	$ 559,571	$ 2,497,212
Less Capital Campaign Expenses	(2,775)		(103,278)	(106,053)
Total Expenses	$ 1,655,397	$ 279,469	$ 456,293	$ 2,391,159

Consolidated Statement of Functional Expenses

Eighteen Months Ended December 31, 2020

	Program	Administrative	Fundraising	Total
Salaries, taxes and benefits	$ 1,547,876	$ 263,594	$ 435,990	$ 2,247,460
In-kind food, supplies and materials	178,379			178,379
Professional services	146,025	49,704	5,330	201,059
Rent and security	127,562	21,760	28,703	178,025
Depreciation	142,626	676		143,302
Printing, postage and office supplies	29,343	5,102	54,914	89,359
Travel and transportation	37,540	10,430	6,772	54,742
Food and drinking water	42,472			42,472
School expenses	64,150	35	21	64,206
Telephone and communications	40,931	5,985	4,830	51,746
Repairs and maintenance	48,540			48,540
Utilities	27,996	3,435	3,332	34,763
Medical and family assistance	127,232			127,232
Minor furniture and equipment	27,442	594	1,289	29,325
Other expenses	136,462			136,462
After school activities and supplies	25,198	92	1,081	26,371
Staff recruitment and development	13,337	13,834	4,516	31,687
Insurance	15,139	18,586	2,982	36,707
Bank fees and service charges	2,724	1,693	27,067	31,484
Fundraising	12,878	197	9,832	22,907
Bad debt			29,281	29,281
Total Expenses	$ 2,793,852	$ 395,717	$ 615,940	$ 3,805,509

Consolidated Statements of Cash Flows

Year Ended December 31, 2021 and Eighteen Months Ended December 31, 2020

Years Ended December 31,	**2021**	2020
Cash flows from operating activities:		
Change in net assets	$ **1,252,417**	$ 284,275
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	**63,176**	143,302
Bad debt expense	**55,000**	29,281
Gain on investments, net of fees	**(320,947)**	(420,413)
Contributions for long lived assets	**(1,090,819)**	(31,499)
(Increase) decrease in operating assets:		
Contributions receivable	**(54,604)**	82,004
Inventories	**(6,564)**	1,013
Prepaid expenses	**(44,348)**	3,392
Increase (decrease) in operating liabilities:		
Accounts payable	**3,820**	(6,227)
Due to support groups		(15,262)
Accrued payroll and severance	**12,074**	40,468
Net cash flows from operating activities	**(130,795)**	110,334
Cash flows from investing activities:		
Purchase of property and equipment	**(189,316)**	(170,573)
Purchase of investment	**(3,739,379)**	(462,789)
Proceeds from sale of investments	**3,817,895**	622,784
Net cash flows from investing activities	**(110,800)**	(10,578)
Cash flows from financing activities:		
Collection of contributions for long term assets	**1,090,819**	31,499
Net cash flows from financing activities	**1,090,819**	31,499
Net change in cash	**849,224**	131,255
Cash, beginning of period	**684,247**	552,992
Cash, end of period	$ **1,533,471**	$ 684,247
Cash and cash equivalents		
Cash	$ **673,756**	$ 680,845
Cash - capital campaign	**859,715**	3,402
	$ **1,533,471**	$ 684,247

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Safe Passage is a 501(c) (3) tax-exempt nonprofit corporation in the United States, and Camino Seguro are tax-exempt nonprofit organizations registered and operating in Guatemala (hereinafter collectively called the Organization). Safe Passage works to transform lives by providing students with an excellent education, a higher quality of life, and pathways to a job with dignity so that they can achieve a better future for themselves and their families. 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, healthcare, 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. An additional building includes the Health Center and is being redesigned to also house the Basico and administrative offices. Currently, a building is being rented for the administrative offices. 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 6 long-term volunteers fill teaching and operational positions and more than 200 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 1st 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 engagingand 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.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Organization – Continued

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 and Camino Seguro, both which are under common control. Material intercompany transactions and balances have been eliminated in the consolidation.

Basis of Accounting and Presentation

The financial statements for the Organization have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported, as follows:

> *Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. . Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents

Cash and highly liquid investments with initial maturities of three months or less are considered to be cash equivalents.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Property and equipment are stated at cost or, in the case of donated property, at estimated fair value at the date of receipt. The Organization capitalizes property and equipment with at least a cost, or estimated fair value of $1,000, if acquired in the United States, and approximately $100, if acquired in Guatemala. Depreciation on furniture, fixtures and equipment, and vehicles is calculated on a straight-line basis using estimated useful lives of three to eight years. Buildings and land improvements are depreciated on a straight-line basis over 10 to 20 years. Land, buildings and the majority of the vehicles, furniture, fixtures and equipment are located in Guatemala.

Grant and Contract Revenue Recognition

Revenues are recognized as earned or attributable to the period in which specific terms of the funding agreement are satisfied and to the extent that expenses have been incurred for the purposes specified by the funding source.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional pledge receivable, or notification of a beneficial interest is received. Conditional pledges receivable are not recognized until the conditions on which they depend have been substantially met.

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 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.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interpretation of Relevant Law

The State of Maine Uniform Prudent Management Institutional Funds Act (UPMIFA) requires the preservation of the historic 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 Act, the Organization classifies as donor-restricted, perpetual in nature: (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 as "donor-restricted, perpetual in nature" is classified as "donor-restricted, purpose and time restricted". Those purpose and time restricted assets remain restricted until amounts are appropriated for expenditure by the Organization according to the endowment fund's gift intent and spending policy, and also 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.

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 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level I include listed equities and listed derivatives.
>
> Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
>
> Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

In determining the appropriate levels, Safe Passage performs a detailed analysis of the assets and liabilities that are subject to fair value. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from these estimates.

Functional Allocation of Expenses

The Organization allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are composed of the following:

General and administrative – includes all activities related to the Organization's internal management and accounting for program services.

Fundraising – includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of actual time and effort.

Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation. There was no effect on the 2020 change in net assets as a result of such reclassifications.

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 December 31, 2021 and 2020.

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 December 31, 2021 and 2020 on the consolidated statement of financial position.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Foreign Currency Translation

The Guatemalan quetzal is the functional currency for the Organization's programs. All amounts in theseconsolidated 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 $22,605 and $(58,244) at December 31, 2021 and 2020, respectively.

Income Taxes

The Organization is classified as a public charity exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

Management has evaluated the Organization's tax positions and concluded that, as of December 31, 2021 and 2020, it has not taken any tax positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization is subject to U.S. federal and state examinations by taxing authorities for three years after the filing of the Organization's return.

Advertising

Advertising costs are expensed as they are incurred. Advertising costs for the year ended December 31, 2021 and the eighteen months ended June 30, 2020 were $285 and $2,645, respectively.

Recent Accounting Pronouncements

Leasing

In February 2016, FASB issued ASU 2016–02, *Leases*. This new standard will provide users of the 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 balance sheet of the entity for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic companies, the new leasing standard would apply for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of adoption on its financial statements.

Contributed Nonfinancial Assets

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This new standard will increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments provide specific presentation requirements which include qualitative information about how the nonfinancial assets were either monetized or utilized during the reporting period. The new standard would apply for annual periods beginning after June 15, 2021. The standard requires retroactive application and early adoption is permitted. Management is currently evaluating the impact of adoption on its financial statements.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 2 – LIQUIDITY AND AVAILABILITY

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 December 31, 2021 and 2020, 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 other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	**$ 673,756**	$ 680,845
Contributions receivable	**99,579**	102,981
Amounts available from spending formula	**80,000**	80,000
	$ 853,335	$ 867,228

In the event the Organization does not have sufficient financial assets to meet its obligations, it has a $100,000 line of credit from which it may draw funds.

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 – CONTRIBUTION RECEIVABLE

Contributions receivable are as follows at December 31, 2021 and 2020:

	2021	2020
Unconditional promises to give	**$ 381,345**	$ 422,981
Less: unamortized discount	**(128,760)**	(170,000)
Net unconditional promizes to give	**252,585**	252,981
Amounts due in:		
Less than one year (including capital purposes of $27,000)	**99,579**	102,981
One to five years		
More than five years	**153,006**	320,000
Total	**$ 252,585**	$ 422,981

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

Planned giving amounts have been adjusted for life expectancy.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 5 – INVESTMENTS

Investments at fair value are, as follows at December 31, 2021 and 2020:

	2021	2020
Cash and money market funds	**$ 56,014**	$ 34,387
Mutual funds - fixed income	**1,168,558**	1,600,256
Mutual funds - equity	**2,009,035**	1,356,533
Total	**$ 3,233,607**	$ 2,991,176

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 December 31, 2021 and 2020 are, as follows:

December 31, 2021	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment fund		**$ 1,335,469**	**$ 1,335,469**
Board-designated endowment fund	**$ 1,898,138**		**1,898,138**
	$ 1,898,138	**$ 1,335,469**	**$ 3,233,607**

Changes in endowment net assets for the year ended December 31, 2021	Without Donor Restriction	With Donor Restriction	Total
Beginning of period	**$ 1,761,277**	**$ 1,229,899**	**$ 2,991,176**
Investment return:			
Investment income, net of fees	**29,079**	**20,208**	**49,287**
Net gain	**157,832**	**120,312**	**278,144**
Amounts appropriated	**(50,050)**	**(34,950)**	**(85,000)**
End of period	**$ 1,898,138**	**$ 1,335,469**	**$ 3,233,607**

December 31, 2020	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment fund		$ 1,229,899	$ 1,229,899
Board-designated endowment fund	$ 1,761,277		1,761,277
	$ 1,761,277	$ 1,229,899	$ 2,991,176

Changes in endowment net assets for the year ended December 31, 2020	Without Donor Restriction	With Donor Restriction	Total
Beginning of year	$ 1,607,631	$ 1,123,127	$ 2,730,758
Investment return:			
Investment income, net of fees	62,942	43,740	106,682
Net gain	185,104	128,632	313,736
Amounts appropriated	(94,400)	(65,600)	(160,000)
End of year	$ 1,761,277	$ 1,229,899	$ 2,991,176

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

	2021	2020
Time and purpose restricted:		
Capital campaign	**$ 859,715**	**$ 205,361**
Contributions receivable - annual fund	**52,585**	**21,487**
Contributions receivable - capacity building	**150,000**	**150,000**
Endowment earnings available for appropriation	**287,422**	**187,740**
Contribution receivable - rotary	**50,000**	**75,000**
Other	**10,415**	**6,494**
Total time and purpose restricted	**1,410,137**	**646,082**
Perpetual in nature:		
Endowment - to support future operations	**1,042,159**	**1,042,159**
Total net assets with donor restrictions	**$ 2,452,296**	**$ 1,688,241**

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Property and Equipment		
Buildings and land improvements	**$ 1,188,740**	$ 1,188,740
Furniture, fixtures and equipment	**502,670**	501,333
Vehicles	**121,079**	130,898
Leasehold improvements	**10,530**	10,530
Construction in progress	**825,672**	602,292
	2,648,691	2,433,793
Accumulated depreciaton	**(1,432,068)**	(1,343,310)
	1,216,623	1,090,483
Land	**613,179**	613,179
Property and Equipment, net	**$ 1,829,802**	$ 1,703,662

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 $117,436 and $178,025 for the year and eighteen months ended December 31, 2021 and 2020, respectively.

The Organization has an operating lease agreement for office equipment that expires in 2024. The lease expense was $664 for both the years ending December 31, 2021 and 2020.

Future minimum payments remaining under these leases are as follows:

2022	$ 16,501
2023	664
2024	664
Total	$ 17,829

Capital Campaign

In 2013 the Organization initiated a Capital Campaign to build a new school building and reconfigure existing buildings to accommodate students through 6th grade. A donor offered the use of property next to the entrance of the dump, and the Organization purchased another property close to the Colegio Experimental Hanley Denning. In 2015 the school building that came with the donated land was used as the base of the building of three structures donated by TELUS International S.A. with an estimated contribution of $155,000 that was recorded in the building account as of June 2016. Starting in 2016, the land and buildings on both properties are getting used by the Organization as academic support and an external certification program for Basico and Diversificado students, Adult Education, tutoring, mentoring, sports, Saturday activities, and staff offices. In 2017, the Board directed the purchase of land next to the Colegio Experimental Hanley Denning for the creation of a new playground and expansion of multi-use facilities. In 2018 the land was purchased through a large donation. The projects funded by this capital campaign were completed in 2020.

In 2021 the Organization initiated a small Capital Campaign to build a new Basico Building (grades 7 through 9). Most of the funds were raised in 2021 and the building is scheduled to break ground in late 2022. It will be located on previously purchased land next door to its present administrative and medical facility which are located near its existing three educational centers for Pre-K to 6th Grade.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization received 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.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 11 – FAIR VALUE MEASUREMENTS

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

December 31, 2021	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	**$ 56,014**	**$ 56,014**		
Mutual funds - fixed income	**1,168,558**	**1,168,558**		
Mutual funds - equity	**2,009,035**	**2,009,035**		
Total	**$ 3,233,607**	**$ 3,233,607**		

December 31, 2020	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	$ 34,387	$ 34,387		
Mutual funds - fixed income	1,600,256	1,600,256		
Mutual funds - equity	1,356,533	1,356,533		
Total	$ 2,991,176	$ 2,991,176		

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 eighteen month period ended December 31, 2020 is, as follows:

	2020
Assets	**$ 91,472**
Liabilities	**8,619**
Net Assets Without Restrictions	**$ 82,853**

Creamos is no longer controlled by Safe Passage and is not included in the current year financial statements.

NOTE 13 – FORGIVABLE PPP LOAN

The Organization received loan proceeds in the amount of approximately $96,130 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Organization applied for the loan to be forgiven. The Organization was notified that the loan balance was forgiven in January 2021. As of December 31, 2020, the Organization recorded the advance as contribution revenue.

NOTE 14 – SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including July 29, 2022, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.