EL PORVENIR

Financial Statements
Years Ending December 31, 2018 and 2017

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Table of Contents

Page

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INDEPENDENT AUDITORS' REPORT

Board of Directors
El Porvenir
Broomfield, Colorado

We have audited the accompanying financial statements of El Porvenir (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of El Porvenir as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited El Porvenir's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clausen + Associates

Certified Public Accountants
April 27, 2019

EL PORVENIR

STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31, 2018	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 319,671	$ 423,835
Investments (Note 3)	182,186	116,937
Accounts receivable, net (Note 2)	7,318	43,562
Promises to give, short-term	200,459	91,974
Inventory	6,811	7,119
Total current assets	716,445	683,427
PROPERTY AND EQUIPMENT, NET (Note 4)	172,369	176,279
TOTAL ASSETS	$ 888,814	$ 859,706
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 29,032	$ 24,161
Accrued expenses	88,112	78,402
Total current liabilities	117,144	102,563
NET ASSETS		
Without donor restrictions	317,640	507,298
With donor restrictions (Note 6)	454,030	249,845
Total net assets	771,670	757,143
TOTAL LIABILITIES AND NET ASSETS	$ 888,814	$ 859,706

EL PORVENIR

STATEMENTS OF ACTIVITIES

	Years Ended December 31, 2018	Years Ended December 31, 2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT, REVENUE AND GAINS		
Contributions	$ 511,769	$ 488,811
Work trips	41,021	167,196
Local contributions	14,765	21,984
Other	77,606	81,589
Donated services	7,035	15,565
Total support and revenue without donor restriction	652,196	775,145
EXPENSES		
Program services	1,268,590	1,311,396
Supporting activities		
General and administrative	181,118	149,145
Fundraising	113,855	131,761
Total supporting activities	294,973	280,906
Total expenses and losses	1,563,563	1,592,302
OTHER GAINS AND LOSSES		
Unrealized gain (loss) on investments, net	(3,653)	11,151
Unrealized gain (loss) on historical assets (Note 9)	(25,842)	(13,498)
Gain (loss) on foreign exchange	27,090	27,282
Investment loss, net	(1,183)	(644)
Total other gains and losses	(3,588)	24,291
Net assets released from restrictions	725,197	382,117
Change in net assets without donor restrictions	(189,758)	(410,749)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	778,125	592,664
WaterAid - Waslala Project (Note 8)	151,357	94,216
Net assets released from restrictions	(725,197)	(382,117)
Change in net assets, with donor restrictions	204,285	304,763
Total change in net assets	14,527	(105,986)
NET ASSETS, beginning of year	757,143	863,129
NET ASSETS, end of year	$ 771,670	$ 757,143

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

EL PORVENIR

STATEMENTS OF FUNCTIONAL EXPENSES
(with Summarized Comparative Totals for Year Ended December 31, 2017)

	Program Services	Management and General	Fundraising	Total 2018	Total Summarized 2017
Water and sanitation materials and supplies	$ 265,084	$ -	$ -	$ 265,084	$ 430,056
Waslala Project	276,483	41,229	-	317,712	140,547
Reforestation materials and supplies	88,451	-	-	88,451	65,273
Work trips	72,939	-	-	72,939	151,931
Health and hygiene education	55,158	-	-	55,158	43,264
Salaries and wages	291,524	43,225	49,252	384,001	364,202
Payroll taxes and benefits	115,634	26,865	14,272	156,771	146,115
Travel	54,601	10,550	14,543	79,694	76,849
Utilities	19,237	6,899	9,931	36,067	36,692
Other expenses	8,079	2,048	14,724	24,851	28,124
Depreciation	-	21,933	-	21,933	23,417
Professional services	5,112	11,217	5,540	21,869	23,171
Institutional expense	10,584	3,825	1,780	16,189	22,958
Office expense and supplies	5,704	3,393	1,215	10,312	10,800
Bank charges and other fees	-	9,006	-	9,006	7,533
Insurance	-	928	2,598	3,526	3,183
Outside services	-	-	-	-	18,187
Total expenses	$ 1,268,590	$ 181,118	$ 113,855	$ 1,563,563	$ 1,592,302
Percentage of total expenses	82%	10%	8%	100%	100%

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

EL PORVENIR

STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
NET ASSETS, December 31, 2017	$ 507,298	$ 249,845	$ 757,143
Change in net assets	(189,758)	204,285	14,527
NET ASSETS, December 31, 2018	$ 317,540	$ 454,130	$ 771,670

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

EL PORVENIR

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 14,527	$ (105,986)
Adjustments to reconcile net income to net cash from operating activities		
Depreciation expense	21,933	23,417
Changes in assets and liabilities -		
(Increase) decrease in accounts receivables	36,244	(14,744)
(Increase) decrease in promises to give	(108,485)	123,328
(Increase) decrease in inventory	308	53
Increase (decrease) in accounts payable	4,871	6,357
Increase (decrease) in accrued expenses	9,710	11,022
Net cash provided (used) by operating activities	(20,892)	43,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchase) of property and equipment	(18,023)	(109,106)
Purchase of investments	(65,249)	(12,488)
Net cash provided (used) by investing activities	(83,272)	(121,594)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(104,164)	(78,147)
CASH AND CASH EQUIVALENTS, beginning of year	423,835	501,982
CASH AND CASH EQUIVALENTS, end of year	$ 319,671	$ 423,835

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of El Porvenir (the Organization) is presented to assist in understanding El Porvenir's financial statements. The financial statements and notes are representations of El Porvenir's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of financial statements.

Nature of Operations. El Porvenir is incorporated under the California Non-Profit Corporations Code. El Porvenir's mission is to improve the standard of living of poor people in Nicaragua through sustainable self-help water, sanitation and reforestation projects. Specifically, El Porvenir partners with rural Nicaraguan villages to enable them to fulfill their right to a healthy environment, clean drinking water, and appropriate sanitation. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting. The Organization maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Financial Statement Presentation. The financial statements are in conformity with FASB ASC *958-205, Not-for-Profit Entities, Presentation of Financial Statements.* For the year ending December 31, 2018 the Organization has adopted ASU No. 2016-14, under ASC *958-205*, thus the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions. These net assets generally result from revenue generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions. These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires; that is until the stipulated time restriction ends, or the purpose of the restriction is accomplished, the net assets are restricted.

Compensated Absences. Employees are entitled to personal time off depending on length of service. Accrued vacation for the years ending December 31, 2018 and 2017 was $782 and $416, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Comparative Financial Information. The 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 presentation in conformity with GAAP and, consequently, has not been reported upon in the current auditors' report.

Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2017, dated April 27, 2018, from which the summarized information was derived.

Cash Equivalents. For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less, and available for current operations, to be cash equivalents.

Accounts Receivable. El Porvenir considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If receivables become uncollectable, they will be charged to operations when that determination is made.

Promises to Give. Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determined the promises will not be collected.

Property and Equipment. Property and equipment are stated at cost or fair market value in the case of donated items. The Organization capitalizes all assets over $500. Purchases of property and equipment are recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions. Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Donated Services. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their estimated fair values in the period received.

Functional Expense Allocation. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Whenever possible, the Organization charges directly identifiable expenses to programs and supporting services. Accordingly, certain costs have been allocated to program services and supporting activities that benefited.

Foreign Currency Transactions. The functional currencies used by El Porvenir are the U.S. Dollar and the Nicaraguan Córdoba. Assets and liabilities denominated in currencies other that the U.S. Dollar are translated into U.S. Dollars at the rates in effect at the date of the statements of financial position. Revenue and expense items dominated in currencies other than the U.S. Dollar are translated into U.S. Dollars at the rates in effect during the period.

El Porvenir's operations are concentrated outside the United States, in Nicaragua. Though the risk that any foreign operations could be interrupted in the near term is reasonably possible, management does not expect any disruption in the near or long-term.

Income Taxes. No provision for income tax is provided, as the Organization is exempt under *Section 501(c)(3) of the Internal Revenue Code* and the *California Income Tax Act.*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounting for Uncertain Tax Positions. The Organization follows guidance to account for any uncertainty in income taxes with respect to the accounting for all tax positions taken (or expected to be taken) on an income tax return. This guidance applies to all open tax periods in all tax jurisdictions in which the Organization is required to file an income tax return. Under GAAP, in order to recognize an uncertain tax benefit the taxpayer must be more likely than not of sustaining the position and measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Management does not believe there are any uncertain tax positions.

Fair Value Measurements. ASC 820, *Fair Value Measurements and Disclosures*, requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

Estimates The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues, and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk. El Porvenir maintains cash balances at financial institutions located in the United States and Nicaragua. The Fondo de Garantia de Depositos (Fund for Deposits Insurance) insures accounts at each Nicaraguan institution up to $10,000. The Federal Deposit Insurance Corporation insures accounts at each U.S. institution up to $250,000. El Porvenir is subject to some credit risk through short-term cash investments which are placed with high credit quality financial institutions. At times, cash equivalents may exceed the FDIC limits and other insured limits. For the years ending December 31, 2018 and 2017, El Porvenir had cash balances that exceeded insured limits of $121,289 and $132,631 in Nicaragua, and $-0- and $12,593 in the United States, respectively.

Inventory. Inventory consists principally of stove tops, rope pumps and chimneys and is valued at lower of cost or market using the first-in first-out (FIFO) valuation method. Inventory was $6,811 and $7,119 for the years ended December 31, 2018 and 2017, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Advertising. ASC 958-720, *Other Expenses, Advertising Costs*, requires direct response advertising to be capitalized when it can be shown that customers responded to a specific advertisement and there is probable future economic benefit. The Organization does not currently use direct response advertising; hence, advertising costs are expensed when incurred.

Investments. Under ASC 958-320, *Not-for-Profit Entities – Investments-Debt and Equity Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investments consist of common stock and mutual funds. Interest, dividends and realized and unrealized gains and losses are included in the change in net assets in the statement of activities.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

	2018	2017
Work trips	$ -	$ 37,638
Other	7,318	5,924
Total	$ 7,318	$ 43,562

NOTE 3 – INVESTMENT RESERVE FUNDS

The Board of Directors (the Board) takes fiduciary responsibility in monitoring investments on a bi-monthly basis. The unrealized loss on investments is due to market conditions. Certificates of Deposit have various maturity dates ranging from 2019 through 2021. Investments at fair value, as measured using quoted market prices in active markets for identical assets or redemption values (Level 1 inputs under ASC 820), consisted of the following at December 31:

	2018	2017
Mutual Funds	$ 101,838	$ 116,937
Certificates of Deposit	80,348	-
Total investments	$ 182,186	$ 116,937

Investment income consisted of the following for the year ended December 31:

	2018	2017
Interest and dividend income	$ 386	$ 690
Unrealized gain (loss) on investments	(3,653)	11,151
Fees and charges	(1,569)	(1,334)
Total investment income (loss)	$ (4,836)	$ 10,507

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Land	$ 22,470	$ 22,470
Building	120,711	120,711
Equipment	22,744	15,937
Vehicles	156,956	148,869
Total property and equipment	322,881	307,987
Accumulated depreciation	(150,512)	(131,708)
Property and equipment, net	$ 172,369	$ 176,279

NOTE 5 – DONATED SERVICES

El Porvenir received donated services to aid in building hand-dug wells, community wash stations, and household latrines. These services were valued at $7,035 and $15,565 for the years ended December 31, 2018 and 2017, respectively.

In addition, a substantial number of volunteers have made significant contributions of their time to El Porvenir's program and supporting services. No amount is recognized for these services because the criteria for recognition have not been met.

NOTE 6 – NET ASSETS

Net assets with donor restrictions consisted of the following at December 31:

	2018	2017
Water, sanitation, education, reforestation and work trips	$ 454,030	$ 249,845
Net assets, with donor restrictions	$ 454,030	$ 249,845

NOTE 7 – OFFICE LEASE

El Porvenir leased two general office suites in Broomfield, Colorado under an operating lease which began on November 1, 2015. In May, 2017, El Porvenir dropped one of the suites without penalty and a new lease agreement was signed beginning June 1, 2017 and expires on May 31, 2020. El Porvenir does not have the option to extend the term of the lease. Lease expense for the years ending December 31, 2018 and 2017 was $5,100 and $6,450 respectively.

Future minimum rental payments and lease payments due during the years ending December 31 are as follows:

Year	Office Lease
2019	$ 5,275
2020	2,250
Total	$ 7,525

NOTE 8 – WATERAID AMERICA INC.

El Porvenir entered into a Cooperation Agreement (Agreement) with WaterAid America (WAA) for the period April 1, 2016 through March 31, 2019 for the municipality of Waslala, Nicaragua. The purpose of the Agreement is to increase access to water, sanitation and hygiene in rural communities of Waslala. As of December 31, 2018, and 2017, El Porvenir had received $591,225 and $224,695 respectively, towards the Waslala project, of which $376,027 was from WAA. The Waslala project has expended a total of $602,789 for the years ending December 31, 2018 and 2017, including $31,881 in fixed assets. El Porvenir is required to have a separate bank account for the WAA contributions and as of December 31, 2018 and 2017, the balances in this account were $36,539 and $67,689, respectively. WAA has agreed to fund 60% of the project in Waslala and the rest of the funding is to be provided by El Porvenir at 20% and local contributions at 20%. As of December 31, 2018 and 2017, El Porvenir had funded 33% of the costs for the Waslala project, thanks to a generous donation, more than was expected, from Latter Day Saints Charities.

NOTE 9 – HISTORICAL ASSETS

The Organization is required by the Nicaraguan law to adjust the fixed assets to historical costs. Generally accepted accounting principles in the United States of America require that fixed assets are stated at cost or fair market value in the case of a donated item and depreciated over the estimated useful life of the asset. The difference in the historical cost adjustment and the original cost is reflected on the statement of activities as an unrealized gain (loss) on historical assets. The unrealized loss was $25,842 and $13,498 for the years ending December 31, 2018 and 2017, respectively.

NOTE 10 – QUANTITATIVE AND QUALITATIVE LIQUIDITY

	2018	2017
Financial assets at year-end	$ 709,634	$ 676,308
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Current liabilities	116,361	102,563
With donor restrictions	454,030	249,845
Financial assets to meet cash needs for general expenditures within one year	$ 139,243	$ 323,900

The Organization is supported by contributions, grants and foundation donations. Because the donor restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of El Porvenir's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 27, 2019, the date which the financial statements were available to be issued.