

**EL PORVENIR**  
**FINANCIAL STATEMENTS**  
December 31, 2008

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
El Porvenir  
Denver, Colorado

We have audited the accompanying statement of financial position of El Porvenir as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the eighteen months then ended. These financial statements are the responsibility of El Porvenir's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the eighteen months then ended in conformity with accounting principles generally accepted in the United States of America.

*Wegner LLP*

Wegner LLP  
Madison, Wisconsin  
September 21, 2009



**EL PORVENIR**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2008

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**ASSETS**

**CURRENT ASSETS**

Cash	\$ 127,951
Accounts receivable	30,577
Promises to give (current portion)	52,060
Investments	309,111
Notes receivable	<u>10,000</u>
 Total current assets	 529,699

**PROPERTY AND EQUIPMENT**

Property and equipment	195,229
Accumulated depreciation	<u>(104,782)</u>
 Property and equipment - net	 90,447

**OTHER ASSETS**

Promises to give (net of current portion)	<u>52,060</u>
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**Total assets**

\$ 672,206

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 36,614
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**NET ASSETS**

Unrestricted	396,831
Temporarily restricted	<u>238,761</u>
 Total net assets	 <u>635,592</u>

**Total liabilities and net assets**

\$ 672,206

See accompanying notes.

**EL PORVENIR**  
**STATEMENT OF ACTIVITIES**  
 Eighteen-month period ended December 31, 2008

<b>UNRESTRICTED NET ASSETS</b>	
<b>SUPPORT AND REVENUE</b>	
Contributions	\$ 699,939
Work Brigades	117,762
Educational tour	5,963
Grants	257,503
Investment return	14,508
Donated services	14,487
Other	<u>15,525</u>
Total unrestricted support and revenue	1,125,687
<b>EXPENSES</b>	
Program services	1,157,618
Supporting activities	
General and administrative	158,064
Fundraising	<u>80,822</u>
Total supporting activities	<u>238,886</u>
Total expenses	1,396,504
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	
Satisfaction of program restrictions	<u>315,860</u>
Change in unrestricted net assets	45,043
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	
Contributions	238,761
Net assets released from restrictions	
Satisfaction of program restrictions	<u>(315,860)</u>
Change in temporarily restricted net assets	<u>(77,099)</u>
<b>Change in net assets</b>	<b>(32,056)</b>
Net assets - beginning of period	<u>667,648</u>
<b>Net assets - end of period</b>	<b><u>\$ 635,592</u></b>

See accompanying notes.

**EL PORVENIR**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Eighteen-month period ended December 31, 2008

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 152,726	\$ 57,509	\$ 44,623	\$ 254,858
Payroll taxes	14,220	5,335	4,161	23,716
Benefits	42,261	15,701	12,411	70,373
Training and technical assistance	1,972	752	573	3,297
Meetings	10,060	1,210	665	11,935
Printing and reproduction	6,166	1,607	2,331	10,104
Postage	2,809	911	1,010	4,730
Insurance	4,670	1,698	1,383	7,751
Telephone and fax	10,977	3,311	3,477	17,765
Occupancy	10,683	2,671	-	13,354
Professional services	21,514	26,092	-	47,606
Outside services	-	14,718	-	14,718
Advertising	1,360	353	511	2,224
Bank charges and other fees	-	3,327	-	3,327
Equipment repair and maintenance	7,525	1,009	207	8,741
Vehicle repair and maintenance	23,176	3,094	662	26,932
Office expense and supplies	21,531	8,881	2,319	32,731
Travel	23,184	2,859	4,294	30,337
Photo developing	330	82	113	525
Depreciation	17,134	5,689	240	23,063
Brigades Program	98,618	-	-	98,618
Water and sanitation materials and supplies	558,051	-	-	558,051
Reforestation materials and supplies	63,328	-	-	63,328
Health and hygiene education	47,210	-	-	47,210
Donated services	14,487	-	-	14,487
Other expenses	3,626	1,255	1,842	6,723
<b>Total expenses</b>	<b>\$ 1,157,618</b>	<b>\$ 158,064</b>	<b>\$ 80,822</b>	<b>\$ 1,396,504</b>

See accompanying notes.

**EL PORVENIR**  
**STATEMENT OF CASH FLOWS**  
Eighteen-month period ended December 31, 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (32,056)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	23,063
Unrealized gain on investments	(141)
Decrease in assets	
Accounts receivable	7,215
Prepaid expenses	3,750
Promises to give	115,327
Increase in liabilities	
Accounts payable	<u>9,846</u>
<b>Net cash flows from operating activities</b>	<b>127,004</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(81,913)
Reinvestment of dividends and interest	(4,597)
Purchases of investments	(133,333)
Proceeds from sales of investments	<u>142,867</u>
<b>Net cash flows from investing activities</b>	<b><u>(76,976)</u></b>
Net change in cash	50,028
Cash - beginning of period	<u>77,923</u>
<b>Cash - end of period</b>	<b><u>\$ 127,951</u></b>

See accompanying notes.

**EL PORVENIR**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, El Porvenir is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by El Porvenir in perpetuity.

**Accounts Receivables**

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

**Promises to Give**

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value.

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

**EL PORVENIR**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

El Porvenir carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$500 are capitalized. Purchases of property and equipment are recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method.

**Contributions**

Support restricted by the donor is reported as increases in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other restricted support is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**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 Expenses**

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. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

**Income Taxes**

El Porvenir is an exempt public charity under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to federal and state income taxes.

El Porvenir has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, in accordance with FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. The organization evaluates any uncertain tax positions in accordance with SFAS No. 5, *Accounting for Contingencies*, until it applies the provisions of Interpretation 48.

**EL PORVENIR**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 than the U.S. Dollar are translated into U.S. Dollars at the rates in effect at the date of the statement of financial position. Revenue and expense items denominated in currencies other than the U.S. Dollar are translated into U.S. Dollars at the rates in effect during the period.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

El Porvenir maintains cash balances at one financial institution located in Nicaragua. The Fondo de Garantía de Depósitos (Fund for Deposits Insurance) insures accounts at each Nicaraguan institution up to \$10,000. El Porvenir had uninsured cash balances of \$158,272 at December 31, 2008.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2008 consisted of the following:

Salary advances	\$ 2,480
Cash advances for building projects	22,804
Other	<u>5,293</u>
Accounts receivable	<u>\$ 30,577</u>

**NOTE 4 – PROMISES TO GIVE**

Promises to give at December 31, 2008 consisted of the following:

Unconditional promises to give in one to five years	\$ 104,120
Less receivable in less than one year	<u>52,060</u>
Unconditional promises to give - net of current portion	<u>\$ 52,060</u>

The discount for promises to give receivable in more than one year was not material and has not been recorded in the financial statements.

**EL PORVENIR**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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**NOTE 5 – INVESTMENTS**

Investments at December 31, 2008 consisted of the following:

Cash	\$ 143,900
Money market funds	<u>165,211</u>
Investments	<u>\$ 309,111</u>

Investment return for the eighteen-month period ended December 31, 2008 is summarized as follows:

	<u>Unrestricted</u>
Dividends and interest	\$ 14,367
Unrealized gain	<u>141</u>
Investment return	<u>\$ 14,508</u>

**NOTE 6 – NOTES RECEIVABLE**

El Porvenir has a \$10,000 note receivable from the Nicaraguan Credit Alternatives (NICA) Fund at Working Capital for Community Needs, Inc. The note carries a 3% interest rate, accrued on a monthly basis, and matures on May 1, 2010. The note is considered to be fully collectible.

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2008 consisted of the following:

Land	\$ 10,204
Building	40,816
Equipment	36,737
Vehicles	<u>107,472</u>
Property and equipment	195,229
Accumulated depreciation	<u>104,782</u>
Property and equipment - net	<u>\$ 90,447</u>

**EL PORVENIR**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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**NOTE 8 – 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 \$14,487 for the eighteen-month period ended December 31, 2008.

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 under SFAS No. 116 have not been met.

**NOTE 9 – NET ASSETS**

Temporarily restricted net assets at December 31, 2008 consisted of the following:

Time restrictions	
Pledges	\$ 104,120
2009 operations	3,000
Program restrictions	
Water, sanitation, and reforestation materials and supplies and health and hygiene education	<u>131,641</u>
Temporarily restricted net assets	<u>\$ 238,761</u>

**NOTE 10 – RELATED PARTY TRANSACTIONS**

In January 2008, El Porvenir purchased a building for \$51,020 from the board president at the time of the transaction. El Porvenir leased that building from the board president until the time of the purchase.

El Porvenir paid \$3,400 to the board treasurer's wife for bookkeeping services during the eighteen-month period ended December 31, 2008.