



Financial Statements

December 31, 2023 and 2022

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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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 Seguro as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PGM, LLC
Biddeford, Maine
July 31, 2024

Consolidated Statements of Financial Position

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash	\$ 540,951	\$ 468,398
Contributions receivable	19,528	65,171
Inventories	72,911	75,090
Prepaid expenses	46,980	51,330
Total Current Assets	<u>680,370</u>	<u>659,989</u>
Property and Equipment, net	1,929,187	1,857,964
Other Assets		
Investments	2,552,506	2,687,841
Cash - Capital Campaign	1,033,379	995,630
Contributions receivable - other - net of current portion	100,000	100,000
Operating lease right of use asset	76,972	93,214
Total Other Assets	<u>3,762,857</u>	<u>3,876,685</u>
Total Assets	<u>\$ 6,372,414</u>	<u>\$ 6,394,638</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 25,380	\$ 18,710
Due to support groups	3,000	5,500
Accrued payroll and severance	459,344	437,367
Operating lease liability - current	17,732	16,242
Total Current Liabilities	<u>505,456</u>	<u>477,819</u>
Other Liabilities		
Long-term operating lease liability	59,240	76,972
Total Other Liabilities	<u>59,240</u>	<u>76,972</u>
Total Liabilities	<u>564,696</u>	<u>554,791</u>
Net Assets		
Without donor restrictions		
Undesignated	2,016,386	1,908,551
Board designated reserve	1,422,840	1,582,879
Total without donor restrictions	<u>3,439,226</u>	<u>3,491,430</u>
With donor restrictions		
Time and purpose restricted	1,325,523	1,305,448
Perpetual in nature (Endowment)	1,042,969	1,042,969
Total with donor restrictions	<u>2,368,492</u>	<u>2,348,417</u>
Total Net Assets	<u>5,807,718</u>	<u>5,839,847</u>
Total Liabilities and Net Assets	<u>\$ 6,372,414</u>	<u>\$ 6,394,638</u>

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Activities

Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total	Total 2022
Operating Activities				
Revenues				
Contributions	\$ 1,965,809	\$ 141,203	2,107,012	\$ 1,927,778
Sponsorships	73,855		73,855	384,534
Other income	89,513		89,513	25,190
Gain(loss) on currency translation	(11,486)		(11,486)	(31,374)
In-kind contributions	217,656		217,656	61,132
Endowment income utilized in operations for a specific purpose	506,128		506,128	158,873
Net assets released from restrictions	360,492	(360,492)		
Total Revenues	3,201,967	(219,289)	2,982,678	2,526,133
Expenses				
Program	1,850,443		1,850,443	1,704,756
Administrative	404,559		404,559	334,310
Fundraising	635,500		635,500	547,840
Total expenses	2,890,502		2,890,502	2,586,906
Change in Net Assets - Operations	311,465	(219,289)	92,176	(60,773)
Non-Operating Activities				
Contributions capital campaign		11,030	11,030	48,320
Net investment return	142,459	228,334	370,793	(555,320)
Endowment income utilized	(506,128)		(506,128)	(158,873)
Change in Net Assets - Non - Operating	(363,669)	239,364	(124,305)	(665,873)
Total Change in Net Assets	(52,204)	20,075	(32,129)	(726,646)
Net Assets, Beginning of Year	3,491,430	2,348,417	5,839,847	6,566,493
Net Assets, End of Year	\$ 3,439,226	\$ 2,368,492	\$ 5,807,718	\$ 5,839,847

Consolidated Statement of Activities

Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Operating Activities			
Revenues			
Contributions	\$ 1,569,377	\$ 358,401	1,927,778
Sponsorships	384,534		384,534
Other income	25,190		25,190
Gain(loss) on currency translation	(31,374)		(31,374)
In-kind contributions	61,132		61,132
Endowment income utilized in operations for a specific purpose	158,873		158,873
Net assets released from restrictions	282,266	(282,266)	
Total Revenues	<u>2,449,998</u>	<u>76,135</u>	<u>2,526,133</u>
Expenses			
Program	1,704,756		1,704,756
Administrative	334,310		334,310
Fundraising	547,840		547,840
Total expenses	<u>2,586,906</u>		<u>2,586,906</u>
Change in Net Assets - Operations	(136,908)	76,135	(60,773)
Non-Operating Activities			
Contributions capital campaign		48,320	48,320
Investment income	(326,986)	(228,334)	(555,320)
Endowment income utilized	(158,873)		(158,873)
Change in Net Assets - Non - Operating	<u>(485,859)</u>	<u>(180,014)</u>	<u>(665,873)</u>
Total Change in Net Assets	(622,767)	(103,879)	(726,646)
Net Assets, Beginning of Year	<u>4,114,197</u>	<u>2,452,296</u>	<u>6,566,493</u>
Net Assets, End of Year	<u>\$ 3,491,430</u>	<u>\$ 2,348,417</u>	<u>\$ 5,839,847</u>

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Program	Administrative	Fundraising	Total
Salaries, taxes and benefits	\$ 1,035,302	\$ 243,358	\$ 412,147	\$ 1,690,807
In-kind food, supplies and materials	214,142	2,556	958	217,656
Professional services	68,858	80,241	15,419	164,518
Rent and security	92,786	18,785	27,981	139,552
Depreciation	40,543	306	513	41,362
Printing, postage and office supplies	3,584	6,140	67,702	77,426
Travel and transportation	10,973	4,517	9,014	24,504
Food and drinking water	122,988			122,988
School expenses	76,512			76,512
Telephone and communications	32,041	5,555	4,309	41,905
Repairs and maintenance	63,101			63,101
Utilities	21,159	3,449	4,500	29,108
Medical and family assistance	29,622			29,622
Minor furniture and equipment	23,340	829	107	24,276
Other expenses	8	(1,728)		(1,720)
After school activities and supplies	9,499	345		9,844
Staff recruitment and development	4,087	22,794	2,098	28,979
Insurance	8,121	16,152	2,452	26,725
Bank fees and service charges	239	975	14,737	15,951
Fundraising, outreach, donor stewardship	741	285	66,360	67,386
Transfers to Creamos				
Total Expenses	<u>\$ 1,857,646</u>	<u>\$ 404,559</u>	<u>\$ 628,297</u>	<u>\$ 2,890,502</u>
Less Capital Campaign Expenses	<u>(16,236)</u>		<u>(28)</u>	<u>(16,264)</u>
Total Expenses	<u>\$ 1,841,410</u>	<u>\$ 404,559</u>	<u>\$ 628,269</u>	<u>\$ 2,874,238</u>

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 1,028,869	\$ 223,038	\$ 325,939	\$ 1,577,846
In-kind food, supplies and materials	61,132			61,132
Professional services	64,365	38,139	63,446	165,950
Rent and security	88,376	17,002	21,232	126,610
Depreciation	57,619	600	139	58,358
Printing, postage and office supplies	8,527	5,217	67,628	81,372
Travel and transportation	12,482	7,705	19,711	39,898
Food and drinking water	53,574			53,574
School expenses	17,142			17,142
Telephone and communications	29,862	5,657	3,969	39,488
Repairs and maintenance	39,862			39,862
Utilities	17,252	2,735	2,441	22,428
Medical and family assistance	71,967			71,967
Minor furniture and equipment	27,049	1,945	5,385	34,379
Other expenses	158			158
After school activities and supplies	13,197			13,197
Staff recruitment and development	5,798	16,071	5,398	27,267
Insurance	8,326	15,198	2,329	25,853
Bank fees and service charges	1,415	1,003	14,375	16,793
Fundraising, outreach, donor stewardship	366		15,848	16,214
Transfers to Creamos	97,418			97,418
Total Expenses	<u>\$ 1,704,756</u>	<u>\$ 334,310</u>	<u>\$ 547,840</u>	<u>\$ 2,586,906</u>
Less Capital Campaign Expenses	<u>(3,744)</u>		<u>(2,558)</u>	<u>(6,302)</u>
Total Expenses	<u>\$ 1,701,012</u>	<u>\$ 334,310</u>	<u>\$ 545,282</u>	<u>\$ 2,580,604</u>

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (32,129)	\$ (726,646)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	41,362	58,358
(Gain) Loss on investments, net of fees	(354,749)	614,237
Contributions for long lived assets	(11,030)	(48,320)
(Increase) decrease in operating assets:		
Contributions receivable	45,643	87,414
Inventories	2,179	(40,281)
Prepaid expenses	4,350	25,020
Increase (decrease) in operating liabilities:		
Accounts payable	6,670	9,174
Due to support groups	(2,500)	1,500
Accrued payroll and severance	21,977	56,772
Net cash flows from operating activities	<u>(278,227)</u>	<u>37,228</u>
Cash flows from investing activities:		
Purchase of property and equipment	(112,585)	(86,520)
Purchase of investment	(171,109)	(789,197)
Proceeds from sale of investments	661,193	720,726
Net cash flows from investing activities	<u>377,499</u>	<u>(154,991)</u>
Cash flows from financing activities:		
Collection of contributions for long lived assets	11,030	48,320
Net cash flows from financing activities	<u>11,030</u>	<u>48,320</u>
Net change in cash	110,302	(69,443)
Cash, beginning of period	<u>1,464,028</u>	<u>1,533,471</u>
Cash, end of period	<u>\$ 1,574,330</u>	<u>\$ 1,464,028</u>
Cash and cash equivalents		
Cash	\$ 540,951	\$ 468,398
Cash - capital campaign	1,033,379	995,630
	<u>\$ 1,574,330</u>	<u>\$ 1,464,028</u>

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 is a tax-exempt nonprofit organization registered and operating in Guatemala (hereinafter they are 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. Based in the garbage dump community of Guatemala City, the Organization was founded in 1999 by an American school teacher, Hanley Denning.

The core activities of the Organization include operating a full-day Guarderia (age 3) and Preschool (ages 4, 5, 6), an official full-day Primary School (1st through 5th-grade), a full-day Middle School (Basico) 6th through grade 9th-grade and a half-day Educational Reinforcement and Career Planning Program for our students when they enroll in partnering high schools. The Organization currently enrolls over 550 students, representing approximately 300 families, and provides integrated health and psychosocial services, daily nutritious meals, a family nurturing/certificate course in parenting, and special programming in English and computer literacy.

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 which will soon be reconstructed to include the middle school classrooms, library, 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 approximately 115 full and part-time staff of Guatemalan teachers, social workers, and support personnel. It also maintains an administrative and fundraising office in the United States, located in New Gloucester, Maine, with a staff of five and one part-time grantwriter. Paid staff in Guatemala work closely with international and Guatemalan volunteers who serve the Organization through commitments of varying duration. Pre-pandemic, approximately 6 long-term volunteers filled teaching and operational positions and more than 200 short-term volunteers provided additional assistance. In 2023, COVID government restrictions have been lifted and volunteers and visitors are able to return to campus.

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 grade of two classrooms of 20 students was added each year, per year, until the first 9th grade class graduated in 2021. 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 engaging and relevant educational experience that prepares students for jobs in the formal sector. The Ministry of Education has accredited the Expeditionary Learning approach for use by Safe Passage in its educational programs in Guatemala.

Beneficiaries of the Organization include its students, as well as their 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.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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

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 released from donor restrictions 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. This excludes cash and money market funds held in the endowment.

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.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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

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.

Contribution Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized. An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

- Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.
- Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Donated stocks are liquidated upon receipt and recorded at the net value received.

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 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, 2023 and 2022

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 1 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, 2023 and 2022

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.

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, 2023 and 2022.

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 15th, and "Aguinaldo" is paid in December. 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, 2023 and 2022 on the consolidated statement of financial position.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 these consolidated financial statements are reflected in U.S. dollars. All financial position accounts have been translated using an exchange rate representative of the exchange rate in effect at the financial position dates. The foreign currency translation adjustment is recorded in the consolidated statement of activities. The approximate accumulated foreign currency translation adjustments amounted to \$(11,486) and \$(31,374) at December 31, 2023 and 2022, 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, 2023 and 2022, 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 years ended December 31, 2023 and 2022 were \$3,534 and \$1,424, respectively.

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, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	\$ 540,951	\$ 468,398
Contributions receivable	19,528	65,171
Amounts available from spending formula - board designated	90,000	90,000
	<u>\$ 650,479</u>	<u>\$ 623,569</u>

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 of up to \$250,000. The Organization has not experienced any losses in such accounts. 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, 2023 and 2022:

	2023	2022
Unconditional promises to give	\$ 243,528	\$ 289,171
Less: unamortized discount	<u>(124,000)</u>	<u>(124,000)</u>
Net unconditional promises to give	<u>119,528</u>	<u>165,171</u>
Amounts due in:		
Less than one year	19,528	65,171
One to five years		
More than five years	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 119,528</u>	<u>\$ 165,171</u>

Discount rates used for the calculation of the unamortized discount range from 2% to 3%. Planned giving amounts have been adjusted for life expectancy.

NOTE 5 – INVESTMENTS

Investments at fair value are, as follows at December 31, 2023 and 2022:

	2023	2022
Cash and money market funds	\$ 61,200	\$ 47,687
Mutual funds - fixed income	862,296	1,001,159
Mutual funds - equity	<u>1,629,010</u>	<u>1,638,995</u>
Total	<u>\$ 2,552,506</u>	<u>\$ 2,687,841</u>

The Organization invests in various investment securities and money market funds. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022 are, as follows:

December 31, 2023	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment fund		\$ 1,291,551	\$ 1,291,551
Board-designated endowment fund	\$ 1,260,955		1,260,955
	<u>\$ 1,260,955</u>	<u>\$ 1,291,551</u>	<u>\$ 2,552,506</u>

Changes in endowment net assets for the year ended December 31, 2023	Without Donor Restriction	With Donor Restriction	Total
Beginning of year	\$ 1,582,677	\$ 1,105,164	\$ 2,687,841
Investment return:			
Investment income, net of fees	26,972	21,414	48,386
Net gain	179,719	142,688	322,407
Amounts appropriated	(366,528)	(139,600)	(506,128)
End of year	<u>\$ 1,422,840</u>	<u>\$ 1,129,666</u>	<u>\$ 2,552,506</u>

December 31, 2022	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment fund		\$ 1,105,164	\$ 1,105,164
Board-designated endowment fund	\$ 1,582,677		1,582,677
	<u>\$ 1,582,677</u>	<u>\$ 1,105,164</u>	<u>\$ 2,687,841</u>

Changes in endowment net assets for the year ended December 31, 2022	Without Donor Restriction	With Donor Restriction	Total
Beginning of year	\$ 1,898,138	\$ 1,335,469	\$ 3,233,607
Investment return:			
Investment income, net of fees	34,250	24,667	58,917
Net loss	(390,298)	(223,939)	(614,237)
Deposits	164,510	3,917	168,427
Amounts appropriated	(123,923)	(34,950)	(158,873)
End of year	<u>\$ 1,582,677</u>	<u>\$ 1,105,164</u>	<u>\$ 2,687,841</u>

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following purposes at December 31, 2023 and 2022:

	2023	2022
Time and purpose restricted:		
Capital campaign	\$ 1,033,379	\$ 995,630
Contributions receivable - annual fund	1,697	39,496
Contributions receivable - capacity building	100,000	100,000
Endowment earnings available for appropriation	87,507	63,165
Contribution receivable - rotary	16,000	25,000
Learning loss	44,052	
Daycare		41,936
Oportunidades		22,528
Other capital	29,421	
Other	13,467	17,693
Total time and purpose restricted	<u>1,325,523</u>	<u>1,305,448</u>
Perpetual in nature:		
Endowment - to support future operations	<u>1,042,969</u>	<u>1,042,969</u>
Total net assets with donor restrictions	<u>\$ 2,368,492</u>	<u>\$ 2,348,417</u>

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023 and 2022:

	2023	2022
Property and Equipment		
Buildings and land improvements	\$ 1,188,740	\$ 1,188,740
Furniture, fixtures and equipment	617,943	543,461
Vehicles	145,993	121,079
Leasehold improvements	10,530	10,530
Construction in progress	884,590	871,401
	<u>2,847,796</u>	<u>2,735,211</u>
Accumulated depreciaton	<u>(1,531,788)</u>	<u>(1,490,426)</u>
	1,316,008	1,244,785
Land	613,179	613,179
Property and Equipment, net	<u>\$ 1,929,187</u>	<u>\$ 1,857,964</u>

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 9 – LEASES

The Organization leases space in New Gloucester, Maine, for administrative offices. The lease commenced in September 2017, and was amended in 2022 with an expiration date of October 2027.

We include in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the building classes of assets. The rate used was 6.25%.

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Organization leases other office spaces under month-to-month operating leases. The Organization also has an operating lease agreement for office equipment that expires in 2024. The office equipment lease expense was \$664 for both the years ending December 31, 2023 and 2022.

Future minimum payments under operating leases as of December 31, 2023 are as follows:

Years ending December 31,		
	2024	\$ 22,042
	2025	22,483
	2026	22,932
	2027	19,428
		<hr/>
Total lease payments		86,885
Less interest		(9,913)
		<hr/>
Present value of lease liabilities		\$ 76,972
		<hr/> <hr/>

Total right-of-use assets and lease liabilities at December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<u>Lease Assets - Classification in Statement of Financial Position</u>		
Operating lease right of use asset	<u>76,972</u>	<u>93,214</u>
Total lease right-of-use assets	<u>\$ 76,972</u>	<u>\$ 93,214</u>
<u>Lease Liabilities - Classification in Statement of Financial Position</u>		
Operating lease liability- current	\$ 17,732	\$ 16,242
Long-term operating lease liability	<u>59,240</u>	<u>76,972</u>
Total lease liabilities	<u>\$ 76,972</u>	<u>\$ 93,214</u>

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 9 – LEASES- CONTINUED

Total lease costs for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	139,552	126,610

NOTE 10 – 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. Currently the space is used for the half-day educational re-inforcement and career preparation program for high school students. Two of the buildings are rented to a partner ngo, Creamos, which is an adult literacy and jobs training program for women. 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 2024. 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 11 – RELATED PARTY TRANSACTIONS

The Organization received land and a building described in a Note 10 – Capital Campaign, from one of the Board of Directors in November 2015. Estimated value of land and building of \$110,000 and \$40,000 is recorded in the land and buildings accounts, respectively.

NOTE 12 – FAIR VALUE MEASUREMENTS

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

December 31, 2023	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	\$ 61,200	\$ 61,200		
Mutual funds - fixed income	862,296	862,296		
Mutual funds - equity	<u>1,629,010</u>	<u>1,629,010</u>		
Total	<u>\$ 2,552,506</u>	<u>\$ 2,552,506</u>		
December 31, 2022	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	\$ 47,687	\$ 47,687		
Mutual funds - fixed income	1,001,159	1,001,159		
Mutual funds - equity	<u>1,638,995</u>	<u>1,638,995</u>		
Total	<u>\$ 2,687,841</u>	<u>\$ 2,687,841</u>		

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

NOTE 13 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

<u>Donation</u>	<u>Revenue Recognized</u>	<u>Utilization in Program</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Supplies	\$ 179,063	Educational Program	None	Donated supplies are valued based on fair market value at time of receipt.
Food	38,593	Educational Program	None	Donated food is valued based on fair market value at time of receipt.
Total	<u>\$ 217,656</u>			

For year ended December 31, 2022:

<u>Donation</u>	<u>Revenue Recognized</u>	<u>Program Utilized</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Supplies	\$ 61,132	Educational Program	None	Donated supplies and food are valued based on fair market value at time of receipt.
Total	<u>\$ 61,132</u>			

NOTE 14 – SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including July 31, 2024, 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.