

**THE FRANCES AND HENRY RIECKEN
FOUNDATION, INC.**

FINANCIAL REPORT

DECEMBER 31, 2015



THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

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DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Frances and Henry Riecken Foundation, Inc.
Princeton, New Jersey

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Frances and Henry Riecken Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the Statement of Financial Position as of December 31, 2015 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of The Frances and Henry Riecken Foundation, Inc. as of December 31, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2014, were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP, who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated October 7, 2015 expressed an unmodified opinion on those statements.

Respectfully Submitted,

A handwritten signature in black ink that reads "Inero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 12, 2016

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ <u>290,755</u>	\$ <u>509,340</u>
Total Current Assets	290,755	509,340
Property, plant and equipment net of accumulated depreciation of \$40,684 in 2015 and \$25,912 in 2014	<u>25,586</u>	<u>36,016</u>
Total Assets	\$ <u>316,341</u>	\$ <u>545,356</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 7,107	\$ 2,950
Refundable advance	<u>-</u>	<u>250,000</u>
Total Liabilities	<u>7,107</u>	<u>252,950</u>
Net Assets:		
Unrestricted	237,684	201,756
Temporarily restricted	<u>71,550</u>	<u>90,650</u>
Total Net Assets	<u>309,234</u>	<u>292,406</u>
Total Liabilities and Net Assets	\$ <u>316,341</u>	\$ <u>545,356</u>

See Independent Auditor's Report and Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
Changes in Unrestricted Net Assets:		
Revenues, Gains, and Other Support:		
Contributions	\$ 69,904	\$ 183,669
Fundraising	-	390
Grants	566,273	409,633
Interest and dividends	2,689	1,888
Other revenue	-	54,871
Net assets released from restrictions	19,100	12,729
Total Revenues, Gains, and Other Support	657,966	663,180
Expenses:		
Library programming	66,775	60,629
Librarians	2,873	15,014
New libraries	62	23,808
Board of Directors	31,337	31,561
Volunteers	13,180	2,102
Salaries	269,413	219,090
Benefits	25,072	30,121
Other staff expenses	41,782	58,317
Followup and monitoring	23,674	58,290
Financial expenses	4,839	7,369
Building expenses	26,290	33,818
Vehicle expenses	19,935	6,419
Office expenses	25,565	26,764
Professional services	54,134	37,371
Reicken donations	-	1,626
Local Directors	386	33
Miscellaneous business expenses	16,721	8,231
Total Expenses	622,038	620,563
Total Change in Unrestricted Net Assets	35,928	42,617
Changes in Temporarily Restricted Net Assets:		
Net assets released from restrictions	(19,100)	(12,729)
Total Change in Temporarily Restricted Net Assets	(19,100)	(12,729)
Increase in Net Assets	16,828	29,888
Net Assets, Beginning of Year	292,406	262,518
Net Assets, End of Year	\$ 309,234	\$ 292,406

See Independent Auditor's Report and Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 16,828	\$ 29,888
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities:		
Depreciation	14,772	5,481
Decrease (increase) in operating assets:		
Grant receivable	-	500,000
Other receivables	-	7,260
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	4,157	(28,815)
Refundable Advance	<u>(250,000)</u>	<u>(250,000)</u>
Net Cash (Used) Provided by Operating Activities	<u>(214,243)</u>	<u>263,814</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	<u>(4,342)</u>	<u>-</u>
Net Cash (Used) by Investing Activities	<u>(4,342)</u>	<u>-</u>
Cash Flows from Financing Activities:	<u>-</u>	<u>-</u>
(Decrease) increase in cash and cash equivalents	(218,585)	263,814
Cash and Cash Equivalents, January 1,	<u>509,340</u>	<u>245,526</u>
Cash and Cash Equivalents, December 31,	\$ <u>290,755</u>	\$ <u>509,340</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for:		
Income taxes	\$ <u>35</u>	\$ <u>35</u>

See Independent Auditor's Report and Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

***Note 1* Description of Organization**

The Frances and Henry Riecken Foundation, Inc. (the Foundation), a nonprofit organization, was incorporated in Washington, District of Columbia to operate the Riecken Community Libraries (the Libraries) in Honduras and Guatemala, Central America. The Libraries' goals are to promote civil engagement and prosperity in Central America through social and educational institutions that awaken a spirit of discovery and participation, as well as to improve the lives of poor and unprivileged people, and those living in remote and/or disadvantaged areas worldwide, through charitable and educational activities.

The Foundation maintains its operations in the United States of America. The majority of the Foundation's net assets, other than US bank accounts, are located in Honduras and Guatemala.

***Note 2* Summary of Significant Accounting Policies**

Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting. Revenues are recorded in the year earned and expenses are recognized when incurred.

Financial Statement Presentation

The Foundation complies with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Foundation is required to report information regarding its net assets and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Combined Financial Statements

The financial statements include the accounts of the Foundation's United States, Honduras and Guatemala branches. All significant interbranch transactions and accounts are eliminated.

Restricted and Unrestricted Revenue and Support

The Foundation accounts for contributions in accordance with FASB ASC 958 "Not-for-Profit Entities." Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed stipulations. Accordingly, its net assets and changes therein are classified and reported as follows:

- Unrestricted - Net assets not subject to donor-imposed stipulations.
- Temporarily Restricted - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or passage of time.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

***Note 2* Summary of Significant Accounting Policies - Continued**

Restricted and Unrestricted Revenue and Support - Continued

- Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2015 and 2014, there were no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless limited by donor-imposed restrictions or law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets, meaning the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds on deposit with banks, money market funds and time deposits with an original maturity of three months or less. Some of the cash accounts located in Honduras and Guatemala are kept in their local currency.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are reported as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted net assets until the assets are acquired and placed in service. Contributions of assets other than cash are recorded at their estimated fair value at date of donation.

Foreign Currency Translation

The accounting records of the Libraries are maintained in Honduras' Lempira and Guatemala's Quetzals. Monetary assets and liabilities are translated to U.S. dollars at period-end exchange rates and non-monetary items are translated at historical rates. Revenue and expense accounts are translated at average rates in effect during the period, except for depreciation, which is translated at historical rates. Gains and losses from changes in exchange rates are recognized in the Statements of Activities.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

***Note 2* Summary of Significant Accounting Policies - Continued**

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, and depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The percentage of depreciation is as follows:

Furniture and fittings	20%
Hardware	33%
Office equipment	20%
Vehicles	20%

Use of Estimates

Preparation of financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and judgments affecting the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenue and expenses recognized during the reporting period. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Frances and Henry Riecken Foundation, Inc. is recognized as a private foundation by the Internal Revenue Service under Section 507(b)(1)(B). In 2012 the Foundation filed to terminate its private foundation status under Section 507(b)(1)(B) and be treated as a public charity described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. Consequently, the Foundation is not subject to United States income tax under Section 501(a) of the Internal Revenue Code. The activities of the Libraries are subject to income tax in Honduras and Guatemala.

Evaluation of Subsequent Events

Management has evaluated subsequent events through September 12, 2016, the date which the financial statements were available to be issued.

***Note 3* Grants/Refundable Advance**

In March 2012, the Foundation was awarded a grant of \$1,000,000 from the Bill and Melinda Gates Foundation. The grant was disbursed over a 48 month period and used for general operation support. As of December 31, 2015 and 2014, the amount received was \$1,000,000. The respective balances of \$-0- and \$250,000 have been classified as a refundable advance because the grant agreement contains certain reporting requirements which must be met in order to receive the scheduled installments.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Note 4 Property, Plant, and Equipment

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

	2015		
	Cost	Accumulated Depreciation	Net Book Value
Furniture and Fittings	\$ 2,263	\$ 1,308	\$ 955
Hardware	15,209	9,440	5,769
Office equipment	18,512	4,904	13,608
Vehicles	30,286	25,032	5,254
Total	\$ 66,270	\$ 40,684	\$ 25,586
	2014		
	Cost	Accumulated Depreciation	Net Book Value
Furniture and Fittings	\$ 2,203	\$ 1,757	\$ 446
Hardware	8,629	5,174	3,455
Office equipment	19,601	6,080	13,521
Vehicles	31,495	12,901	18,594
Total	\$ 61,928	\$ 25,912	\$ 36,016

Depreciation expense charged to operations amounted to \$14,772 and \$5,481 for the years ended December 31, 2015 and 2014, respectively.

Note 5 Concentration of Credit and Foreign Currency Risks

Credit risk arises mostly from operating transactions. In an effort to achieve liquidity and avoid the risk of currency exchange rate fluctuations, the Foundation keeps minimum reserves in USD. The cash and cash equivalents in Lempira and Quetzals are deposited in interest-bearing bank accounts in stable bank institutions.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Note 6 **Temporarily Restricted Net Assets**

Temporarily Restricted Net Assets of the Foundation consisted of the following at December 31,:

Donations to be Executed - Honduras:	2015	2014
SIAFI	\$ 189	\$ 127
Institutional	1,730	626
Gate	6,766	8,555
MIDEH	25	43
Judios/SPJTF	-	144
Richard Strock Honduras	398	2,775
SG Foundation Honduras	1,753	4,606
Peterson Foundation	9,985	7,207
Strachn Foundation	2,304	376
Adrian Ridner	95	3,800
Internacional Foundation	629	956
Total Donations to be Executed - Honduras	23,874	29,215
Donations to be Executed - Guatemala:		
Institutional	-	5,802
Edmonds Library project	479	-
Sustainability books	16,005	17,525
New libraries	2,128	3,093
Inherent project	2,140	7,172
GT Gates project	669	42
Raicing Voices project	1,037	-
BFB Business Center	12,432	10,140
Technology project	4,042	6,320
Early stimulation	34	-
ER Regina Winer	-	418
Tajumulco project	1,237	-
Monitoring	689	-
My blood	1,939	-
Techno. SG training project	228	229
Techno. Richard Strock training project	4,617	10,694
Total Donations to be Executed - Guatemala	47,676	61,435
Total Temporarily Restricted Net Assets	\$ 71,550	\$ 90,650