

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

PRINCETON, NJ

FINANCIAL REPORT

**For the Years Ended
December 31, 2014 and 2013**

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

DECEMBER 31, 2014 AND 2013

Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



**Ciaschi • Dietershagen • Little • Mickelson
and Company, LLP**

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of The Frances and Henry Riecken Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the combined Statements of Financial Position as of December 31, 2014 and 2013, and the related combined Statements of Activities and Cash Flows for the years 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 combined 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.

- 1 -

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdIm.com

WATKINS GLEN

2 North Franklin Street, Suite 330
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

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, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Croschi, Dietershagen, Little, Michels & Conroy, LLP

October 7, 2015
Ithaca, New York

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 509,340	\$ 245,526
Grants receivable	-0-	500,000
Other receivables	-0-	7,260
	<u>509,340</u>	<u>752,786</u>
Property, plant and equipment net of accumulated depreciation of \$25,912 in 2014 and \$20,431 in 2013	<u>36,016</u>	<u>41,497</u>
Total Assets	<u>\$ 545,356</u>	<u>\$ 794,283</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,950	\$ 31,765
Refundable advance	250,000	500,000
	<u>252,950</u>	<u>531,765</u>
Net Assets:		
Unrestricted	201,756	159,139
Temporarily restricted	90,650	103,379
	<u>292,406</u>	<u>262,518</u>
Total Net Assets	<u>292,406</u>	<u>262,518</u>
Total Liabilities and Net Assets	<u>\$ 545,356</u>	<u>\$ 794,283</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,

	2014	2013
Changes in Unrestricted Net Assets:		
Revenues, Gains and Other Support:		
Contributions	\$ 183,669	\$ 251,499
Fundraising	390	9,764
Grants	409,633	481,868
Interest and dividends	1,888	1,645
Other revenue	54,871	961
Net assets released from restrictions	12,729	-0-
	663,180	745,737
Expenses:		
Library programming	60,629	71,412
Librarians	15,014	45,120
New libraries	23,808	11,653
Board of Directors	31,561	23,789
Volunteers	2,102	14,875
Other training	-0-	1,180
Salaries	219,090	211,114
Benefits	30,121	50,936
Other staff expenses	58,317	69,868
Followup and monitoring	58,290	50,707
Financial expenses	7,369	1,446
Building expenses	33,818	28,271
Vehicle expenses	6,419	10,131
Office expenses	26,764	20,375
Professional services	37,371	20,393
Reicken donations	1,626	-0-
Local Directors	33	-0-
Miscellaneous business expenses	8,231	16,381
	620,563	647,651
Change in Unrestricted Net Assets:	42,617	98,086
Changes in Temporarily Restricted Net Assets:		
Contributions	-0-	12,630
Net assets released from restrictions	(12,729)	-0-
	(12,729)	12,630
Change in Temporarily Restricted Net Assets:	(12,729)	12,630
Increase in Net Assets	29,888	110,716
Net Assets, Beginning of Year	262,518	151,802
Net Assets, End of Year	\$ 292,406	\$ 262,518

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>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 29,888	\$ 110,716
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	5,481	6,211
Decrease (increase) in operating assets:		
Grant receivable	500,000	-0-
Other receivables	7,260	(7,260)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(28,815)	(42,158)
Refundable advance	(250,000)	(250,000)
Net Cash Provided (Used) by Operating Activities	<u>263,814</u>	<u>(182,491)</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	<u>-0-</u>	<u>(1,114)</u>
Net Cash (Used) by Investing Activities	<u>-0-</u>	<u>(1,114)</u>
Cash Flows from Financing Activities:	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) in cash and cash equivalents	263,814	(183,605)
Cash and Cash Equivalents, January 1,	<u>245,526</u>	<u>429,131</u>
Cash and Cash Equivalents, December 31,	<u>\$ 509,340</u>	<u>\$ 245,526</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, 2014 AND 2013

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 the poor and unprivileged people, and those living in remote areas and/pr disadvantage 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

A. 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.

B. 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.

C. 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.

D. 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:

1. Unrestricted - Net assets not subject to donor-imposed stipulations.
2. Temporarily Restricted - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or passage of time.
3. 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, 2014 and 2013, there were no permanently restricted net assets.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2014 AND 2013

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.

E. 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.

F. 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.

G. 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.

H. 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%

I. 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.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2014 AND 2013

J. 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. The Foundation's Forms 990-PF, *Return of Private Foundation*, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years post filing.

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 will be disbursed over a 48 month period and will be used for general operation support. As of December 31, 2014 and 2013, the amounts received were \$1,000,000 and \$500,000, respectively. The respective balances of \$250,000 and \$500,000 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.

Note 4 - Property, Plant and Equipment

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

	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
	2013		
	Cost	Accumulated Depreciation	Net Book Value
Furniture and Fittings	\$ 2,203	\$ 1,402	\$ 801
Hardware	8,629	7,609	1,020
Office equipment	19,601	3,290	16,311
Vehicles	31,495	8,130	23,365
Total	\$ 61,928	\$ 20,431	\$ 41,497

Depreciation expense charged to operations amounted to \$5,481 and \$6,211 for the years ended December 31, 2014 and 2013, respectively.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2014 AND 2013

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.

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:	<u>2014</u>	<u>2013</u>
SIAFI	\$ 127	\$ 163
Institutional	626	452
Gates	8,555	17,134
MIDEH	43	1,144
Judios/SPJTF	144	8,243
Richard Strock Honduras	2,775	2,980
SG Foundation Honduras	4,606	71
AMHON	-0-	4,072
Peterson Foundation	7,207	-0-
Strachan Foundation	376	-0-
Adrian Ridner	3,800	-0-
International Foundation	956	-0-
Richard Strock Guatemala	-0-	5,691
Joan/Zobeyda	-0-	279
Total Donations to be Executed - Honduras	<u>29,215</u>	<u>40,229</u>
Donations to be Executed - Guatemala:		
Institutional	5,802	7,301
Edmons Library project	-0-	451
Books	17,525	16,287
New libraries	3,093	15,254
Inherent project	7,172	3,251
Gates GT project	42	2,543
Raicing Voices project	-0-	1,204
BFB Business Center	10,140	2,029
Technology project	6,320	9,709
ER Regina Winer	418	405
SG Foundation project	229	222
Tec Richard Strock project	10,694	4,494
Total Donations to be Executed - Guatemala	<u>61,435</u>	<u>63,150</u>
Total Temporarily Restricted Net Assets	<u>\$ 90,650</u>	<u>\$ 103,379</u>

Note 7 - Evaluation of Subsequent Events

Management has evaluated subsequent events through October 7, 2015, the date which the financial statements were available to be issued.