

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

FINANCIAL REPORT

DECEMBER 31, 2016



THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

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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, 2016 and 2015 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 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, the combined 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, 2016 and 2015, 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.

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
November 8, 2017

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ <u>257,028</u>	\$ <u>290,755</u>
Total Current Assets	<u>257,028</u>	<u>290,755</u>
Property, plant and equipment net of accumulated depreciation of \$43,339 in 2016 and \$40,684 in 2015	<u>26,050</u>	<u>25,586</u>
Total Assets	<u>\$ 283,078</u>	<u>\$ 316,341</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ <u>-</u>	\$ <u>7,107</u>
Total Liabilities	<u>-</u>	<u>7,107</u>
Net Assets		
Unrestricted	172,115	237,684
Temporarily restricted	<u>110,963</u>	<u>71,550</u>
Total Net Assets	<u>283,078</u>	<u>309,234</u>
Total Liabilities and Net Assets	<u>\$ 283,078</u>	<u>\$ 316,341</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,

	<u>2016</u>	<u>2015</u>
Changes in Unrestricted Net Assets		
Revenues, Gains, and Other Support:		
Contributions	\$ 250,984	\$ 69,904
Grants	574,081	566,273
Interest and dividends	3,797	2,689
Net assets released from restrictions	-	19,100
	<u>828,862</u>	<u>657,966</u>
Total Revenues, Gains, and Other Support		
	<u>828,862</u>	<u>657,966</u>
Expenses		
Library programming	214,494	66,775
Librarians	30,230	2,873
New libraries	-	62
Board of Directors	30,272	31,337
Volunteers	94,753	13,180
Salaries	266,395	269,413
Benefits	21,022	25,072
Other staff expenses	66,230	41,782
Followup and monitoring	34,496	23,674
Financial expenses	-	4,839
Building expenses	29,850	26,290
Vehicle expenses	9,697	19,935
Office expenses	30,276	25,565
Professional services	46,796	54,134
Local Directors	27	386
Miscellaneous business expenses	19,893	16,721
	<u>894,431</u>	<u>622,038</u>
Total Expenses		
	<u>894,431</u>	<u>622,038</u>
Total Change in Unrestricted Net Assets	(65,569)	35,928
Changes in Temporarily Restricted Net Assets		
Increase in restricted net assets	<u>39,413</u>	<u>(19,100)</u>
Total Change in Temporarily Restricted Net Assets	<u>39,413</u>	<u>(19,100)</u>
(Decrease) Increase in Net Assets	(26,156)	16,828
Net Assets, Beginning of Year	<u>309,234</u>	<u>292,406</u>
Net Assets, End of Year	\$ <u>283,078</u>	\$ <u>309,234</u>

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>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (26,156)	\$ 16,828
Adjustments to reconcile (decrease) increase in net assets to net cash (used) by operating activities:		
Depreciation	2,655	14,772
(Decrease) increase in operating liabilities:		
Accounts payable	(7,107)	4,157
Refundable advance	-	(250,000)
Net Cash (Used) by Operating Activities	<u>(30,608)</u>	<u>(214,243)</u>
Cash Flows from Investing Activities		
Purchase of property, plant, and equipment	<u>(3,119)</u>	<u>(4,342)</u>
Net Cash (Used) by Investing Activities	<u>(3,119)</u>	<u>(4,342)</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
(Decrease) in cash and cash equivalents	(33,727)	(218,585)
Cash and Cash Equivalents, January 1,	<u>290,755</u>	<u>509,340</u>
Cash and Cash Equivalents, December 31,	<u>\$ 257,028</u>	<u>\$ 290,755</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for:		
Income taxes	<u>\$ -</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, 2016 AND 2015

***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 U.S. 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, 2016 AND 2015

***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, 2016 and 2015, 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 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, 2016 AND 2015

***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 and transactions for potential recognition and disclosure in the financial statements through November 8, 2017, the date which the financial statements were available to be issued.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Note 3 Property, Plant, and Equipment

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

	2016		
	Cost	Accumulated Depreciation	Net Book Value
Furniture and Fittings	\$ 2,296	\$ 1,327	\$ 969
Hardware	18,614	11,652	6,962
Office equipment	18,866	5,222	13,644
Vehicles	29,613	25,138	4,475
Total	\$ 69,389	\$ 43,339	\$ 26,050

	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

Depreciation expense charged to operations was \$2,655 and \$14,772 for the years ended December 31, 2016 and 2015, respectively.

Note 4 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 5 Significant Event

Historically, the Foundation has utilized contributions from the Inter-American Development Bank (IDB) to fund administrative costs. The IDB's final scheduled contribution to the Foundation will be in March of 2017 and is not expected to be renewed. Management is exploring alternative funding sources and expense reductions to mitigate this loss of funding.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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	2016	2015
SIAFI	\$ 129	\$ 189
Institutional	882	1,730
Gates	-	6,766
MIDEH	-	25
Donor Bid	48,367	-
Richard Strock Honduras	-	398
SG Foundation Honduras	496	1,753
Peterson Foundation	15,237	9,985
Strachan Foundation	7,079	2,304
Adrian Ridner	-	95
Internacional Foundation	-	629
Total Donations to be Executed - Honduras	72,190	23,874
Donations to be Executed - Guatemala		
Institutional	1,834	-
Edmonds Library project	486	479
Sustainability books	10,030	16,005
New libraries	2,160	2,128
Inherit project	658	2,140
GT Gates project	-	669
Raicing Voices project	1,052	1,037
BFB Business Center	15,017	12,432
Technology project	719	4,042
Early stimulation	34	34
Tajumulco project	23	1,237
Monitoring	699	689
My blood	1,146	1,939
Techno. SG training project	231	228
Techno. Richard Strock training project	4,684	4,617
Total Donations to be Executed - Guatemala	38,773	47,676
Total Temporarily Restricted Net Assets	\$ 110,963	\$ 71,550