

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

Princeton, New Jersey

FINANCIAL REPORT

December 31, 2017 and 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 & Henry Riecken Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the combined Statements of Financial Position as of December 31, 2017 and 2016 and the related combined Statements of Activities and Cash Flows for the years then ended, and the related notes to the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

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, 2017 and 2016, 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 "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 26, 2018

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ <u>183,625</u>	\$ <u>257,028</u>
Total Current Assets	<u>183,625</u>	<u>257,028</u>
Property, plant and equipment net of accumulated depreciation of \$26,742 in 2017 and \$43,339 in 2016	<u>33,110</u>	<u>26,050</u>
Total Assets	<u>\$ <u>216,735</u></u>	<u>\$ <u>283,078</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ <u>2,750</u>	\$ -
Accrued payroll and payroll taxes	<u>210</u>	<u>-</u>
Total Liabilities	<u>2,960</u>	<u>-</u>
Net Assets		
Unrestricted	<u>106,144</u>	172,115
Temporarily restricted	<u>107,631</u>	<u>110,963</u>
Total Net Assets	<u>213,775</u>	<u>283,078</u>
Total Liabilities and Net Assets	<u>\$ <u>216,735</u></u>	<u>\$ <u>283,078</u></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,

	2017	2016
Changes in Unrestricted Net Assets		
Revenues, Gains, and Other Support:		
Contributions	\$ 209,193	\$ 250,984
Grants	295,241	574,081
Interest and dividends	769	3,797
Other revenue	26,659	
Net assets released from restrictions	94,063	-
Total Revenues, Gains, and Other Support	625,925	828,862
Expenses		
Library programming	100,634	214,494
Librarians	7,376	30,230
Board of Directors	50,168	30,272
Volunteers	52,682	94,753
Salaries	239,492	266,395
Benefits	30,815	21,022
Other staff expenses	53,826	66,230
Followup and monitoring	13,551	34,496
Financial expenses	3,238	-
Building expenses	30,193	29,850
Vehicle expenses	5,131	9,697
Office expenses	19,406	30,276
Professional services	51,488	46,796
Reicken donations	274	-
Local Directors	-	27
Miscellaneous business expenses	18,972	17,238
Depreciation	14,650	2,655
Total Expenses	691,896	894,431
Total Change in Unrestricted Net Assets	(65,971)	(65,569)
Changes in Temporarily Restricted Net Assets		
Contributions	90,731	39,413
Net assets released from restrictions	(94,063)	-
Total Change in Temporarily Restricted Net Assets	(3,332)	39,413
(Decrease) in Net Assets	(69,303)	(26,156)
Net Assets, Beginning of Year	283,078	309,234
Net Assets, End of Year	\$ 213,775	\$ 283,078

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>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
(Decrease) in net assets	\$ (69,303)	\$ (26,156)
Adjustments to reconcile (decrease) in net assets to net cash (used) by operating activities:		
Depreciation	14,650	2,655
Donated securities	(96,315)	-
Donated vehicle	(16,221)	-
(Gain) on sale of investments	(418)	-
(Gain) on sale of vehicle	(5,326)	-
(Decrease) increase in operating liabilities:		
Accounts payable	2,750	(7,107)
Accrued payroll	210	-
Net Cash (Used) by Operating Activities	<u>(169,973)</u>	<u>(30,608)</u>
Cash Flows from Investing Activities		
Proceeds from the sale of investments	96,733	-
Sales of property, plant, and equipment	5,326	-
Purchase of property, plant, and equipment	(5,489)	(3,119)
Net Cash (Used) by Investing Activities	<u>96,570</u>	<u>(3,119)</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
(Decrease) in cash and cash equivalents	(73,403)	(33,727)
Cash and Cash Equivalents, January 1,	<u>257,028</u>	<u>290,755</u>
Cash and Cash Equivalents, December 31,	\$ <u><u>183,625</u></u>	\$ <u><u>257,028</u></u>
SUPPLEMENTAL DISCLOSURES		
Donated securities	\$ 96,315	\$ -
Donated vehicle	16,221	-

See Independent Auditor's Report and Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

***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, 2017 AND 2016

***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, 2017 and 2016, 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, 2017 AND 2016

***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. In 2017 the Foundation was officially reclassified by the Internal Revenue Service as a public charity, following the end of the 60-month advance ruling period. 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 October 26, 2018, the date which the financial statements were available to be issued.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Note 3 Property, Plant, and Equipment

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

	2017		
	Cost	Accumulated Depreciation	Net Book Value
	Furniture and fittings	\$ 2,382	\$ 1,376
Hardware	22,959	17,182	5,777
Office equipment	18,290	5,713	12,577
Vehicles	16,221	2,471	13,750
Total	\$ 59,852	\$ 26,742	\$ 33,110

	2016		
	Cost	Accumulated Depreciation	Net Book Value
	Furniture and fittings	\$ 2,296	\$ 1,327
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

Depreciation expense charged to operations was \$14,650 and \$2,655 for the years ended December 31, 2017 and 2016, 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 was made 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, 2017 AND 2016

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	2017	2016
SIAFI	\$ 178	\$ 129
Institutional	12,498	882
Donor Bid	-	48,367
SG Foundation Honduras	-	496
Peterson Foundation	8,192	15,237
Strachan Foundation	5,580	7,079
Total Donations to be Executed - Honduras	26,448	72,190
Donations to be Executed - Guatemala		
Institutional	2,599	1,834
Edmonds Library project	-	486
Sustainability books	-	10,030
New libraries	-	2,160
Inherit Project	-	658
Raicing Voices Project	-	1,052
BFB Business Center	283	15,017
Technology project	-	719
Early stimulation	-	34
Tajumulco Project	-	23
Monitoring	-	699
My Blood	-	1,146
Techno. SG Training Project	-	231
Techno. Richard Strock Training Project	-	4,684
Publication of bilingual books	2,739	-
Strengthening of library network	12,577	-
F. Peterson	4,286	-
USAID / ASHA	58,699	-
Total Donations to be Executed - Guatemala	81,183	38,773
Total Temporarily Restricted Net Assets	\$ 107,631	\$ 110,963