

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

Princeton, New Jersey

FINANCIAL REPORT

**For the Years Ended
December 31, 2018 and 2017**



THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

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INDEPENDENT AUDITORS' 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, 2018 and 2017 and the related combined Statements of Activities, Functional Expenses, 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.

Auditors' 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 auditors' 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.

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, 2018 and 2017, 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.

Emphasis of a Matter

As discussed in Note 1 to the combined financial statements, the Foundation adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), "Presentation of Financial Statements of Not-for-Profit Entities," during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

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
October 17, 2019

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	<u>\$ 128,209</u>	<u>\$ 183,625</u>
Total Current Assets	<u>128,209</u>	<u>183,625</u>
Property, Plant, and Equipment, Net of Accumulated Depreciation of \$40,141 in 2018 and \$26,742 in 2017	<u>13,369</u>	<u>33,110</u>
Total Assets	<u><u>\$ 141,578</u></u>	<u><u>\$ 216,735</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	<u>\$ 2,504</u>	<u>\$ 2,750</u>
Accrued Payroll and Payroll Taxes		<u>210</u>
Total Liabilities	<u>2,504</u>	<u>2,960</u>
Net Assets		
Without Donor Restrictions	<u>108,279</u>	<u>106,144</u>
With Donor Restrictions	<u>30,795</u>	<u>107,631</u>
Total Net Assets	<u>139,074</u>	<u>213,775</u>
Total Liabilities and Net Assets	<u><u>\$ 141,578</u></u>	<u><u>\$ 216,735</u></u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Changes in Net Assets Without Donor Restrictions		
Revenues, Gains, and Other Support:		
Contributions	\$ 200,274	\$ 209,193
Grants	299,420	295,241
Interest and Dividends	578	769
Other Revenue	(2,877)	26,659
Net Assets Released from Restrictions	<u>76,836</u>	<u>94,063</u>
Total Revenues, Gains, and Other Support	<u>574,231</u>	<u>625,925</u>
Expenses		
Program Services	355,906	445,707
Management and General	118,523	142,840
Fundraising	79,125	88,699
Depreciation	<u>18,542</u>	<u>14,650</u>
Total Expenses	<u>572,096</u>	<u>691,896</u>
Total Change in Net Assets Without Donor Restrictions	2,135	(65,971)
Changes in Net Assets With Donor Restrictions		
Contributions		90,731
Net Assets Released from Restrictions	<u>(76,836)</u>	<u>(94,063)</u>
Total Change in Net Assets with Donor Restrictions	<u>(76,836)</u>	<u>(3,332)</u>
Change in Net Assets	(74,701)	(69,303)
Net Assets, Beginning of Year	<u>213,775</u>	<u>283,078</u>
Net Assets, End of Year	<u>\$ 139,074</u>	<u>\$ 213,775</u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Library Board of Directors	\$ 4,081	\$ 453	\$ -	\$ 4,534
Building Expenses	21,939	2,438	-	24,377
Employee Benefits	17,494	6,729	2,691	26,914
Financial Expenses	-	2,884	-	2,884
Followup and Monitoring	6,749	1,687	-	8,436
Library Programming	138,154	15,350	-	153,504
Miscellaneous Business Expenses	5,646	1,412	-	7,058
Librarians	186	21	-	207
Office Expenses	10,888	2,722	-	13,610
Other Staff Expenses	23,938	5,984	-	29,922
Professional Services	-	23,053	23,054	46,107
Salaries	106,761	53,380	53,380	213,521
Vehicle Expenses	1,291	323	-	1,614
Volunteers	18,779	2,087	-	20,866
Total Expenses Before Depreciation	355,906	118,523	79,125	553,554
Depreciation Expense	14,834	3,708	-	18,542
Total Expenses	<u>\$ 370,740</u>	<u>\$ 122,231</u>	<u>\$ 79,125</u>	<u>\$ 572,096</u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Library Board of Directors	\$ 45,151	\$ 5,017	\$ -	\$ 50,168
Building Expenses	27,174	3,019	-	30,193
Employee Benefits	20,029	7,704	3,082	30,815
Financial Expenses	-	3,238	-	3,238
Followup and Monitoring	10,841	2,710	-	13,551
Library Programming	90,571	10,063	-	100,634
Miscellaneous Business Expenses	15,178	3,794	-	18,972
Librarians	6,638	738	-	7,376
Office Expenses	15,525	3,881	-	19,406
Other Staff Expenses	43,061	10,765	-	53,826
Professional Services	-	25,744	25,744	51,488
Reicken Donations	274	-	-	274
Salaries	119,746	59,873	59,873	239,492
Vehicle Expenses	4,105	1,026	-	5,131
Volunteers	47,414	5,268	-	52,682
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Total Expenses Before Depreciation	445,707	142,840	88,699	677,246
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Depreciation Expense	11,720	2,930	-	14,650
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u><u>\$ 457,427</u></u>	<u><u>\$ 145,770</u></u>	<u><u>\$ 88,699</u></u>	<u><u>\$ 691,896</u></u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (74,701)	\$ (69,303)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	18,542	14,650
Donated Securities	(130,726)	(96,315)
Donated Vehicle		(16,221)
Loss (Gain) on Sale of Investments	2,349	(418)
Loss (Gain) on Sale of Vehicle	2,923	(5,326)
(Decrease) Increase in Operating Liabilities:		
Accounts Payable	(246)	2,750
Accrued Payroll	(210)	210
Net Cash (Used) by Operating Activities	(182,069)	(169,973)
Cash Flows from Investing Activities		
Proceeds from the Sale of Investments	128,377	96,733
Sale of Property, Plant, and Equipment		5,326
Purchase of Property, Plant, and Equipment	(1,724)	(5,489)
Net Cash Provided (Used) by Investing Activities	126,653	96,570
Cash Flows from Financing Activities	-	-
Change in Cash and Cash Equivalents	(55,416)	(73,403)
Cash and Cash Equivalents, January 1,	183,625	257,028
Cash and Cash Equivalents, December 31,	\$ 128,209	\$ 183,625
SUPPLEMENTAL DISCLOSURES		
Donated Securities	\$ 130,726	\$ 96,315
Donated Vehicle	-	16,221

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

***Note 1* Summary of Significant Accounting Policies**

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.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

- **Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

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.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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 net assets with donor restrictions 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.

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.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Adoption of Accounting Standard

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958), “Presentation of Financial Statements of Not-for-Profit Entities.” ASU 2016-14 improves the financial reporting of not-for-profit organizations by providing more useful information to donors, grantors, creditors, and other financial statement users. ASU 2016-14 changes the existing classes of net assets, improves the transparency and utility of liquidity information, changes the required presentation of cash flow information and requires the presentation of expenses by both function and natural classification. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. As a result of the adoption of ASU 2016-14, the Foundation has presented its net asset classifications as such, presented a Statement of Functional Expenses and a disclosure of liquidity information. The adoption has no effect on the net asset balances previously reported.

Natural and Functional Expenses

ASU No. 2016-14 requires the Foundation to provide an analysis of expenses by both natural and functional classification. Natural expenses are defined by their nature, such as salaries, rent, supplies, etc. Functional expenses are classified by the type of activity for which expenses were incurred; program, administration or fundraising. Management has analyzed the direct expenses and categorized them according to their functional use. Expenses incurred for multiple functions have been allocated based on reasonable estimates of time and effort.

Income Tax Status

The Frances and Henry Riecken Foundation, Inc. is recognized as a private foundation by the Internal Revenue Service under §507(b)(1)(B). In 2012 the Foundation filed to terminate its private foundation status under §507(b)(1)(B) and be treated as a public charity described in §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 §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 17, 2019, the date which the financial statements were available to be issued.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 2 Liquidity and Availability of Funds

The Foundation's 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, are as follows:

	<u>2018</u>	<u>2017</u>
Financial Assets at Year End		
Cash and Equivalents	<u>\$ 128,209</u>	<u>\$ 183,625</u>
Total Financial Assets	<u>128,209</u>	<u>183,625</u>
Less: Amounts Not Available to be Used Within One Year		
Net Assets With Donor Restrictions	<u>30,795</u>	<u>107,631</u>
Total Amounts Unavailable Within One Year	<u>30,795</u>	<u>107,631</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 97,414</u>	<u>\$ 75,994</u>

The Foundation manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 3 Property, Plant, and Equipment

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

	2018		
	Cost	Accumulated Depreciation	Net Book Value
Furniture and Fittings	\$ 3,328	\$ 3,328	\$ -
Hardware	18,054	18,054	-
Office Equipment	15,907	13,817	2,090
Vehicles	16,221	4,942	11,279
	Total	Total	Total
	\$ 53,510	\$ 40,141	\$ 13,369
	2017		
	Cost	Accumulated Depreciation	Net Book Value
Furniture and Fittings	\$ 2,382	\$ 1,376	\$ 1,006
Hardware	22,959	17,182	5,777
Office Equipment	18,290	5,713	12,577
Vehicles	16,221	2,471	13,750
	Total	Total	Total
	\$ 59,852	\$ 26,742	\$ 33,110

Depreciation expense charged to operations was \$18,542 and \$14,650 for the years ended December 31, 2018 and 2017, 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, 2018 AND 2017

Note 6 Net Assets with Donor Restrictions

Net Assets with Donor Restrictions of the Foundation consisted of the following at December 31,:

	2018	2017
Donations to be Executed - Honduras		
SIAFI	\$ 213	\$ 178
Institutional	2,583	12,498
Peterson Foundation		8,192
Strachan Foundation	1,264	5,580
Total Donations to be Executed - Honduras	4,060	26,448
 Donations to be Executed - Guatemala		
Institutional	4,664	2,599
Sustainability Books	2,303	
BFB Business Center	2,113	283
Publication of Bilingual Books		2,739
Strengthening of Library Network	9,605	12,577
F. Peterson	7,126	4,286
USAID / ASHA	924	58,699
Total Donations to be Executed - Guatemala	26,735	81,183
 Total	 \$ 30,795	 \$ 107,631

Net assets released from restrictions totaled \$76,836 and \$94,063 for the years ended December 31, 2018 and 2017, respectively.