

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

FINANCIAL REPORT

**For the Years Ended
December 31, 2019 and 2018**



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, 2019 and 2018 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, 2019 and 2018, 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 during the year ended December 31, 2019: Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" (Topic 606); and FASB ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" (Topic 958). Our opinion is not modified with respect to these matters.

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 23, 2020

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | <u>\$ 126,854</u> | <u>\$ 128,209</u> |
| Total Current Assets | 126,854 | 128,209 |
| Property, Plant, and Equipment, Net of Accumulated Depreciation of \$46,080 in 2019 and \$40,141 in 2018 | <u>10,102</u> | <u>13,369</u> |
| Total Assets | <u>\$ 136,956</u> | <u>\$ 141,578</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts Payable | <u>\$ 5,846</u> | <u>\$ 2,504</u> |
| Total Liabilities | <u>5,846</u> | <u>2,504</u> |
| Net Assets | | |
| Without Donor Restrictions | 106,804 | 108,279 |
| With Donor Restrictions | <u>24,306</u> | <u>30,795</u> |
| Total Net Assets | <u>131,110</u> | <u>139,074</u> |
| Total Liabilities and Net Assets | <u>\$ 136,956</u> | <u>\$ 141,578</u> |

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Changes in Net Assets Without Donor Restrictions | | |
| Revenues, Gains, and Other Support: | | |
| Contributions | \$ 453,280 | \$ 200,274 |
| Grants | - | 299,420 |
| Interest and Dividends | 428 | 578 |
| Other Revenue | - | (2,877) |
| Net Assets Released from Restrictions | 10,158 | 76,836 |
| Total Revenues, Gains, and Other Support | 463,866 | 574,231 |
| Expenses | | |
| Program Services | 272,794 | 370,740 |
| Management and General | 112,532 | 122,231 |
| Fundraising | 80,015 | 79,125 |
| Total Expenses | 465,341 | 572,096 |
| Total Change in Net Assets Without Donor Restrictions | (1,475) | 2,135 |
| Changes in Net Assets With Donor Restrictions | | |
| Contributions | 3,669 | - |
| Net Assets Released from Restrictions | (10,158) | (76,836) |
| Total Change in Net Assets With Donor Restrictions | (6,489) | (76,836) |
| Change in Net Assets | (7,964) | (74,701) |
| Net Assets, Beginning of Year | 139,074 | 213,775 |
| Net Assets, End of Year | \$ 131,110 | \$ 139,074 |

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|-----------------------------|-----------------------------------|-------------------------|--------------------------|
| Library Board of Directors | \$ 14,796 | \$ 1,644 | \$ | \$ 16,440 |
| Building Expenses | 22,549 | 2,506 | | 25,055 |
| Employee Benefits | 20,073 | 7,720 | 3,088 | 30,881 |
| Financial Expenses | | 1,860 | | 1,860 |
| Followup and Monitoring | 14,984 | 3,746 | | 18,730 |
| Library Programming | 7,786 | 865 | | 8,651 |
| Miscellaneous Business Expenses | 2,098 | 524 | | 2,622 |
| Librarians | 5,411 | 601 | | 6,012 |
| Office Expenses | 13,598 | 3,400 | | 16,998 |
| Other Staff Expenses | 33,910 | 8,477 | | 42,387 |
| Professional Services | | 23,532 | 23,533 | 47,065 |
| Salaries | 106,787 | 53,394 | 53,394 | 213,575 |
| Vehicle Expenses | 973 | 243 | | 1,216 |
| Volunteers | 24,743 | 2,749 | | 27,492 |
| | <u>267,708</u> | <u>111,261</u> | <u>80,015</u> | <u>458,984</u> |
| Total Expenses Before Depreciation | | | | |
| Depreciation Expense | <u>5,086</u> | <u>1,271</u> | | <u>6,357</u> |
| Total Expenses | <u>\$ 272,794</u> | <u>\$ 112,532</u> | <u>\$ 80,015</u> | <u>\$ 465,341</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</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 |
| | <u>355,906</u> | <u>118,523</u> | <u>79,125</u> | <u>553,554</u> |
| Total Expenses Before Depreciation | | | | |
| | 14,834 | 3,708 | | 18,542 |
| Depreciation Expense | <u>14,834</u> | <u>3,708</u> | <u></u> | <u>18,542</u> |
| 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.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ (7,964) | \$ (74,701) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 6,357 | 18,542 |
| Donated Securities | (125,900) | (130,726) |
| Loss (Gain) on Sale of Investments | | 2,349 |
| Loss (Gain) on Sale of Vehicle | | 2,923 |
| (Decrease) Increase in Operating Liabilities: | | |
| Accounts Payable | 3,342 | (246) |
| Accrued Payroll | - | (210) |
| Net Cash Provided (Used) by Operating Activities | (124,165) | (182,069) |
| Cash Flows from Investing Activities | | |
| Proceeds from the Sale of Investments | 125,900 | 128,377 |
| Purchase of Property, Plant, and Equipment | (3,090) | (1,724) |
| Net Cash Provided (Used) by Investing Activities | 122,810 | 126,653 |
| Cash Flows from Financing Activities | | |
| Change in Cash and Cash Equivalents | (1,355) | (55,416) |
| Cash and Cash Equivalents, January 1, | 128,209 | 183,625 |
| Cash and Cash Equivalents, December 31, | \$ 126,854 | \$ 128,209 |
| SUPPLEMENTAL DISCLOSURES | | |
| Donated Securities | \$ 125,900 | \$ 130,726 |

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

***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 ("U.S. 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, 2019 AND 2018

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

The Foundation capitalizes all property and equipment with useful lives greater than one year. 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, 2019 AND 2018

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

Adoption of Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 4012-09, “Revenue from Contracts with Customers” (Topic 606). This update supersedes existing revenue recognition guidance. Entities should now recognize revenue depicting the transfer of promised goods or services in a manner which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU No. 2015-14. The purpose of this update was to defer the effective date of ASU No. 2014-09. Accordingly, the effective date for nonprofit entities is for years beginning after December 15, 2018, applied on a retrospective basis. The initial application was applied to all contracts.

In June 2018, FASB issued ASU No. 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” (topic 958). This accounting standard is meant to help nonprofit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and if the transaction is identified as a contribution whether it is conditional or unconditional. ASU No. 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for resources provided. If the resource provider does receive commensurate value, the transaction is an exchange transaction and would follow the guidance under ASU No. 2014-09 (Topic 606). If no commensurate value is received the resource provider, the transfer is a contribution. The effective date of this ASU is for years beginning after December 15, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those reporting periods.

During the year ended December 31, 2019, the Foundation adopted the above accounting pronouncements. Where applicable, the previously reported balances have been reclassified to conform to the new pronouncements. The adoption had 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, and supplies. 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.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

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 23, 2020, the date on which the financial statements were available to be issued.

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>2019</u> | <u>2018</u> |
|--|-------------------|------------------|
| Financial Assets at Year End | | |
| Cash and Equivalents | \$ 126,854 | \$ 128,209 |
| Total Financial Assets | <u>126,854</u> | <u>128,209</u> |
| Less: Amounts Not Available to be Used Within One Year | | |
| Net Assets With Donor Restrictions | 24,306 | 30,795 |
| Total Amounts Unavailable Within One Year | <u>24,306</u> | <u>30,795</u> |
| Total Financial Assets Available to Meet General Expenditures Within One Year | <u>\$ 102,548</u> | <u>\$ 97,414</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, 2019 AND 2018

Note 3 Property, Plant, and Equipment

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

| | 2019 | | |
|-------------------------|------------------|-------------------------------------|---------------------------|
| | Cost | Accumulated Depreciation | Net Book Value |
| Furniture and Fittings | \$ 3,398 | \$ 3,398 | \$ - |
| Hardware | 17,975 | 17,975 | - |
| Communication Equipment | 3,020 | 604 | 2,416 |
| Office Equipment | 15,568 | 14,371 | 1,197 |
| Vehicles | 16,221 | 9,732 | 6,489 |
| | \$ 56,182 | \$ 46,080 | \$ 10,102 |
| | 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 |
| | \$ 53,510 | \$ 40,141 | \$ 13,369 |

Depreciation expense charged to operations was \$6,357 and \$18,542 for the years ended December 31, 2019 and 2018, 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.

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 5 Net Assets with Donor Restrictions

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

| | 2019 | 2018 |
|---|------------------|------------------|
| Donations to be Executed - Honduras | | |
| SIAFI | \$ 251 | \$ 213 |
| Institutional | 5,421 | 2,583 |
| Strachan Foundation | - | 1,264 |
| Total Donations to be Executed - Honduras | 5,672 | 4,060 |
| Donations to be Executed - Guatemala | | |
| Institutional | 4,776 | 4,664 |
| Sustainability Books | 2,388 | 2,303 |
| BFB Business Center | 223 | 2,113 |
| Strengthening of Library Network | 7,398 | 9,605 |
| F. Peterson | 2,329 | 7,126 |
| USAID / ASHA | 1,520 | 924 |
| Total Donations to be Executed - Guatemala | 18,634 | 26,735 |
| Total | \$ 24,306 | \$ 30,795 |

Net assets released from restrictions totaled \$10,158 and \$76,836 for the years ended December 31, 2019 and 2018, respectively.

Note 6 Subsequent Events

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. While it is unknown how long these conditions will last and what the complete financial effect will be, the Foundation expects to experience disruptions to its programs and funding sources, which could negatively impact operating results in future periods.