

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

Princeton, New Jersey

FINANCIAL REPORT

**For the Years Ended
December 31, 2021 and 2020**



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

Opinion

We have audited the accompanying combined financial statements of The Frances and Henry Riecken Foundation, Inc. (the Foundation), which comprise the combined Statements of Financial Position as of December 31, 2021 and 2020 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
November 10, 2022

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	<u>\$ 200,059</u>	<u>\$ 111,262</u>
Total Current Assets	<u>200,059</u>	<u>111,262</u>
Property, Plant, and Equipment, Net of Accumulated Depreciation of \$53,521 in 2021 and \$50,408 in 2020	<u>3,111</u>	<u>5,774</u>
Total Assets	<u><u>\$ 203,170</u></u>	<u><u>\$ 117,036</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable and Accrued Expenses	<u>\$ -</u>	<u>\$ 16,541</u>
Total Liabilities	<u>-</u>	<u>16,541</u>
Net Assets		
Without Donor Restrictions	<u>159,677</u>	<u>87,493</u>
With Donor Restrictions	<u>43,493</u>	<u>13,002</u>
Total Net Assets	<u>203,170</u>	<u>100,495</u>
Total Liabilities and Net Assets	<u><u>\$ 203,170</u></u>	<u><u>\$ 117,036</u></u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Revenues, Gains, and Other Support:		
Contributions	\$ 594,755	\$ 370,585
Grants	290,509	-
Interest and Dividends	281	663
Other Revenue	-	600
Net Assets Released From Restrictions	<u>1,477</u>	<u>11,357</u>
Total Revenues, Gains, and Other Support	<u>887,022</u>	<u>383,205</u>
Expenses		
Program Services	596,790	222,336
Management and General	142,942	103,639
Fundraising	<u>75,106</u>	<u>76,541</u>
Total Expenses	<u>814,838</u>	<u>402,516</u>
Total Change in Net Assets Without Donor Restrictions	72,184	(19,311)
Changes in Net Assets With Donor Restrictions		
Contributions	31,968	53
Net Assets Released From Restrictions	<u>(1,477)</u>	<u>(11,357)</u>
Total Change in Net Assets With Donor Restrictions	<u>30,491</u>	<u>(11,304)</u>
Change in Net Assets	102,675	(30,615)
Net Assets, Beginning of Year	<u>100,495</u>	<u>131,110</u>
Net Assets, End of Year	<u>\$ 203,170</u>	<u>\$ 100,495</u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services	Management and General	Fundraising	Total
Building Expenses	\$ 23,344	\$ 2,594	\$ -	\$ 25,938
Employee Benefits	24,685	9,494	3,798	37,977
Financial Expenses	-	2,410	-	2,410
Follow-up and Monitoring	20,087	5,022	-	25,109
Librarians	4,420	491	-	4,911
Library Board of Directors	6,667	741	-	7,408
Library Programming	334,924	37,214	-	372,138
Miscellaneous Business Expenses	367	92	-	459
New Libraries	38,817	4,313	-	43,130
Office Expenses	9,145	2,286	-	11,431
Other Staff Expenses	19,485	4,871	-	24,356
Professional Services	-	18,999	18,999	37,998
Salaries	104,615	52,308	52,309	209,232
Vehicle Expenses	2,184	546	-	2,730
Volunteers	3,255	362	-	3,617
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Total Expenses Before Depreciation and Translation	591,995	141,743	75,106	808,844
Depreciation Expense	4,432	1,108	-	5,540
Translation Adjustment	363	91	-	454
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Total Expenses	<u>\$ 596,790</u>	<u>\$ 142,942</u>	<u>\$ 75,106</u>	<u>\$ 814,838</u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Management and General	Fundraising	Total
Building Expenses	\$ 23,418	\$ 2,603	\$ -	\$ 26,021
Employee Benefits	46,827	18,010	7,204	72,041
Financial Expenses	-	2,833	-	2,833
Followup and Monitoring	4,086	1,021	-	5,107
Librarians	87	10	-	97
Library Board of Directors	2,638	293	-	2,931
Library Programming	5,578	620	-	6,198
Miscellaneous Business Expenses	2,498	625	-	3,123
Office Expenses	8,434	2,109	-	10,543
Other Staff Expenses	20,363	5,091	-	25,454
Professional Services	-	17,310	17,309	34,619
Salaries	104,054	52,028	52,028	208,110
Vehicle Expenses	873	218	-	1,091
Volunteers	18	2	-	20
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation and Translation	218,874	102,773	76,541	398,188
Depreciation Expense	3,462	866	-	4,328
Translation Adjustment	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u><u>\$ 222,336</u></u>	<u><u>\$ 103,639</u></u>	<u><u>\$ 76,541</u></u>	<u><u>\$ 402,516</u></u>

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 102,675	\$ (30,615)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,540	4,328
Translation Adjustment	454	-
Donated Securities	(138,386)	(155,500)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	<u>(16,541)</u>	<u>10,695</u>
Net Cash Provided (Used) by Operating Activities	<u>(46,258)</u>	<u>(171,092)</u>
Cash Flows From Investing Activities		
Proceeds from the Sale of Investments	138,386	155,500
Purchase of Property, Plant, and Equipment	<u>(3,331)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>135,055</u>	<u>155,500</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Change in Cash and Cash Equivalents	88,797	(15,592)
Cash and Cash Equivalents, January 1,	<u>111,262</u>	<u>126,854</u>
Cash and Cash Equivalents, December 31,	<u><u>\$ 200,059</u></u>	<u><u>\$ 111,262</u></u>
SUPPLEMENTAL DISCLOSURES		
Donated Securities	\$ 138,386	\$ 155,500

See Notes to Financial Statements

THE FRANCES AND HENRY RIECKEN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

***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 underprivileged 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, 2021 AND 2020

***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. Gains and losses from changes in exchange rates are recognized in the Statements of Activities as Translation Adjustments.

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%
Computers	33%
Equipment	20%
Vehicles	20%

Use of Estimates

Preparation of financial statements in conformity with U.S. GAAP 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.

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, 2021 AND 2020

***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, including changes to exchange rates and their effect of unsettled foreign currency transactions, for potential recognition and disclosure in the financial statements through November 10, 2022, 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>2021</u>	<u>2020</u>
Financial Assets at Year End		
Cash and Equivalents	<u>\$ 200,059</u>	<u>\$ 111,262</u>
Total Financial Assets	<u>200,059</u>	<u>111,262</u>
Less: Amounts Not Available to be Used		
Within One Year		
Net Assets With Donor Restrictions	<u>43,493</u>	<u>13,002</u>
Total Amounts Unavailable Within One Year	<u>43,493</u>	<u>13,002</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 156,566</u>	<u>\$ 98,260</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, 2021 AND 2020

Note 3 Property, Plant, and Equipment

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Translation Adjustment</u>	<u>Ending Balance</u>
Property, Plant, and Equipment					
Furniture and Fittings	\$ 3,398	\$ -	\$ 407	\$ (201)	\$ 3,604
Computers	17,975	3,331	(3,457)	(849)	17,000
Equipment	18,588	-	3,050	(883)	20,755
Vehicles	16,221	-	-	(948)	15,273
Total	<u>56,182</u>	<u>3,331</u>	<u>-</u>	<u>(2,881)</u>	<u>56,632</u>
Less Accumulated Depreciation	<u>(50,408)</u>	<u>(5,540)</u>	<u>-</u>	<u>2,427</u>	<u>(53,521)</u>
Property, Plant, and Equipment, Net	<u>\$ 5,774</u>	<u>\$ (2,209)</u>	<u>\$ -</u>	<u>\$ (454)</u>	<u>\$ 3,111</u>

Depreciation expense charged to operations was \$5,540 and \$4,328 for the years ended December 31, 2021 and 2020, respectively.

Translation adjustments resulting from changes in the period-end exchange rate resulted in charges to operations of \$454 and \$-0- for the years ended December 31, 2021 and 2020, 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, 2021 AND 2020

***Note 5* Net Assets With Donor Restrictions**

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

	<u>2021</u>	<u>2020</u>
Donations to be Executed - Honduras		
SIAFI	\$ 149	\$ 294
Institutional	6,102	1,973
USAID / ASHA	193	-
Total Donations to be Executed - Honduras	<u>6,444</u>	<u>2,267</u>
Donations to be Executed - Guatemala		
Institutional	18,224	3,764
Sustainability Books	1,320	2,398
BFB Business Center	238	-
Strengthening of Library Network	4,319	4,573
USAID / ASHA	12,948	-
Total Donations to be Executed - Guatemala	<u>37,049</u>	<u>10,735</u>
Total	<u>\$ 43,493</u>	<u>\$ 13,002</u>

Net assets released from restrictions totaled \$1,477 and \$11,357 for the years ended December 31, 2021 and 2020, respectively.

***Note 6* Reclassification**

Certain amounts presented for the year ended December 31, 2020 have been reclassified to conform to the current year's presentation.