

Foundation for Amigos de las Américas

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2014

Independent Auditors' Report

To the Board of Directors of
Foundation for Amigos de las Américas:

We have audited the accompanying financial statements of Foundation for Amigos de las Américas, which comprise the statement of financial position as of December 31, 2014 and the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements.

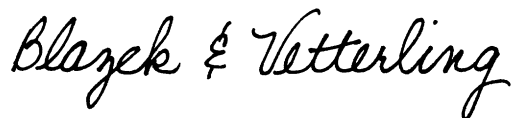
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Amigos de las Américas as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



June 29, 2015

Foundation for Amigos de las Américas

Statement of Financial Position as of December 31, 2014

ASSETS

Cash	\$ 22,434
Receivable from Amigos de las Américas (Note 2)	43,940
Other assets	1,028
Pledges receivable, net (Note 3)	1,118,158
Investments (Note 4)	<u>258,797</u>
TOTAL ASSETS	<u>\$ 1,444,357</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	<u>\$ 5,501</u>
Net assets:	
Unrestricted	793,622
Temporarily restricted (Notes 5 and 7)	41,642
Permanently restricted (Notes 6 and 7)	<u>603,592</u>
Total net assets	<u>1,438,856</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,444,357</u>

See accompanying notes to financial statements.

Foundation for Amigos de las Américas

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 1,049,164	\$ 35,000	\$ 552,100	\$ 1,636,264
Investment return (Note 4)	<u>21,248</u>	<u>6,642</u>	<u> </u>	<u>27,890</u>
Total revenue	<u>1,070,412</u>	<u>41,642</u>	<u>552,100</u>	<u>1,664,154</u>
EXPENSES:				
Program	16,094			16,094
Management and general	69,761			69,761
Fundraising	<u>433,823</u>			<u>433,823</u>
Total expenses (Note 2)	<u>519,678</u>			<u>519,678</u>
CHANGES IN NET ASSETS	550,734	41,642	552,100	1,144,476
Net assets, beginning of year	<u>242,888</u>	<u>0</u>	<u>51,492</u>	<u>294,380</u>
Net assets, end of year	<u>\$ 793,622</u>	<u>\$ 41,642</u>	<u>\$ 603,592</u>	<u>\$ 1,438,856</u>

See accompanying notes to financial statements.

Foundation for Amigos de las Américas

Statement of Cash Flows for the year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 1,144,476
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Contributions restricted for permanent endowment	(552,100)
Net realized and unrealized gain on investments	(22,685)
Changes in operating assets and liabilities:	
Receivable from Amigos de las Américas	(43,940)
Other assets	(1,028)
Pledges receivable (other than for permanent endowment)	(662,840)
Accounts payable	<u>(249)</u>
Net cash used by operating activities	<u>(138,366)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(201,848)
Sales of investments	158,899
Net change in money market mutual funds held as investments	<u>8,036</u>
Net cash used by investing activities	<u>(34,913)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds of contributions restricted for permanent endowment	<u>96,782</u>
NET CHANGE IN CASH	(76,497)
Cash, beginning of year	<u>98,931</u>
Cash, end of year	<u>\$ 22,434</u>

See accompanying notes to financial statements.

Foundation for Amigos de las Américas

Notes to Financial Statements for the year ended December 31, 2014

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Foundation for Amigos de las Américas (AMIGOS Foundation) was formed in 2003 as a Texas nonprofit corporation to benefit Amigos de las Américas (AMIGOS), a Texas nonprofit corporation with the mission of inspiring and building young leaders through collaborative community development and immersion in cross-cultural experiences.

Federal income tax status – AMIGOS Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1). AMIGOS Foundation files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. AMIGOS Foundation believes it is no longer subject to examinations of returns for tax years ended before December 31, 2011.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible pledges receivable is provided when it is believed balances may not be collected in full. AMIGOS Foundation's policy is to write off receivables against the allowance when management determines the receivable will not be collected. The loss on pledges recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and analysis of individual pledge balances. It is possible that management's estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

Net asset classification – Revenue and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – AFFILIATION WITH AMIGOS DE LAS AMÉRICAS

In 2014, AMIGOS Foundation entered into an affiliation agreement with AMIGOS. AMIGOS Foundation works with AMIGOS in its activities to educate persons and institutions in the United States and elsewhere about initiatives and activities performed by AMIGOS in Latin America and elsewhere. AMIGOS Foundation and AMIGOS also entered into a shared services agreement for AMIGOS, to provide certain management and support services. The initial term of the agreement is 20 years. During 2014, AMIGOS Foundation recognized \$135,558 of service costs from AMIGOS and \$14,738 for a grant to AMIGOS.

At times, AMIGOS receives contributions intended for AMIGOS Foundation and pays expenses on behalf of AMIGOS Foundation. The amount reported as receivable from AMIGOS at December 31, 2014 is the net amount due from all transactions between AMIGOS Foundation and AMIGOS.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2014 are as follows:

Pledges receivable for permanent endowment	\$ 478,218
Other pledges receivable	<u>761,492</u>
Total pledges receivable	1,239,710
Discount to net present value at 3.0%	<u>(121,552)</u>
Pledges receivable, net	<u>\$ 1,118,158</u>

Pledges receivable are expected to be collected as follows:

Within one year	\$ 384,310
In one to five years	<u>855,400</u>
Total pledges receivable	<u>\$ 1,239,710</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price

that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual funds:				
Equity	\$ 121,995			\$ 121,995
International equity	6,914			6,914
Money market	5,325			5,325
Fixed-income bonds:				
Corporate	100,243			100,243
Municipal	10,063			10,063
Common stock:				
Financials	7,290			7,290
Information technology	<u>6,967</u>			<u>6,967</u>
Total investments	<u>\$ 258,797</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 258,797</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Fixed-income bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.
- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AMIGOS Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return at December 31, 2014 consists of the following:

Interest and dividends	\$ 5,205
Realized and unrealized gain on investments	<u>22,685</u>
Total investment return	<u>\$ 27,890</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

Capacity building	\$ 20,000
Program development	15,000
Accumulated endowment earnings	<u>6,642</u>
Total temporarily restricted net assets	<u>\$ 41,642</u>

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2014 are comprised of the following:

Scholarship for AMIGOS volunteers interested in pursuing careers in public health	\$ 250,000
Support of Hispanic AMIGOS summer program volunteers	250,000
Support of AMIGOS summer program volunteers	75,000
Guy Bevil Leadership Fund	26,822
Abernathy Fund	20,000
Donnelly Fund	4,670
Less: Discount on permanently restricted pledges receivable	<u>(22,900)</u>
Total permanently restricted net assets	<u>\$ 603,592</u>

NOTE 7 – ENDOWMENT FUNDS

AMIGOS Foundation’s endowment includes individual funds that were established for a variety of purposes in accordance with explicit donor stipulations.

Endowment net asset composition at December 31, 2014:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 6,642</u>	<u>\$ 603,592</u>	<u>\$ 610,234</u>

Changes in net assets of the endowment funds are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,492</u>	<u>\$ 51,492</u>
Investment return:				
Interest and dividends		1,240		1,240
Net realized and unrealized gain		<u>5,402</u>		<u>5,402</u>
Net investment return		6,642		6,642
Contributions			<u>552,100</u>	<u>552,100</u>
Endowment net assets, December 31, 2014	<u>\$ 0</u>	<u>\$ 6,642</u>	<u>\$ 603,592</u>	<u>\$ 610,234</u>

AMIGOS Foundation's Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AMIGOS Foundation classifies the amount specified by explicit donor stipulation as an endowment as permanently restricted net assets. This amount is not reduced by losses on investments in the endowment fund or by approved appropriations for expenditure from the fund. The portion of the donor-restricted endowment funds not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure. Temporarily restricted net assets are reclassified to unrestricted net assets for the amount appropriated when the purpose restriction has been met. In accordance with TUPMIFA, AMIGOS Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of AMIGOS Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of AMIGOS Foundation
- The investment policies of AMIGOS Foundation

Investment and Spending Policies

AMIGOS Foundation has adopted a policy that the maximum distribution from the endowment fund each year is 4%. The distribution percentage is a function of a three-year average (based on the three preceding years ending March 31) of the market value of the endowment funds. In establishing this policy, AMIGOS Foundation considered the long-term expected return on its endowment.

Endowment funds are maintained in an investment account which is managed by an independent financial firm that follows guidance provided in an investment policy approved by the Board of Directors. AMIGOS Foundation has adopted investment and spending policies for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate-of-return objectives, AMIGOS Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). AMIGOS Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor specified as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets as an aggregate deficiency of the fair value of net endowment assets over permanently restricted net assets.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.