

REACHING U,

A FOUNDATION FOR URUGUAY

Financial Report

December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Reaching U, A Foundation for Uruguay
New York, NY

We have audited the accompanying financial statements of Reaching U, A Foundation for Uruguay ("Reaching U"), a not-for-profit organization, which comprise the statements of financial position as of December 31, 2014 and 2013, and related statements of activities, cash flows and functional expenses for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits 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 auditor's 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 Reaching U, A Foundation for Uruguay as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Manger & Associate, CPAs P.C.

April 24, 2015

**REACHING U,
A FOUNDATION FOR URUGUAY**
Statements of Financial Position
As of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 2,837,991	\$ 681,424
Investments	25,711	25,693
Grants and contributions receivable: Espigas	2,216,050	-
Grants and contributions receivable: other	<u>3,500</u>	<u>29,829</u>
Total assets	<u>\$ 5,083,252</u>	<u>\$ 736,946</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued liabilities	<u>\$ 116,473</u>	<u>\$ 43,398</u>
Total liabilities	<u>116,473</u>	<u>43,398</u>
NET ASSETS		
Unrestricted		
Board designated	225,000	-
Undesignated	827,652	650,609
Temporarily restricted	<u>3,914,127</u>	<u>42,939</u>
Total net assets	<u>4,966,779</u>	<u>693,548</u>
Total liabilities and net assets	<u>\$ 5,083,252</u>	<u>\$ 736,946</u>

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

**REACHING U,
A FOUNDATION FOR URUGUAY**
Statements of Activities
For the Years Ended December 31, 2014 and 2013

	2014		2013	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE:				
Grants and contributions: other	\$ 209,121	\$ 130,200	\$ 105,608	\$ -
Grants and contributions: Espigas	-	4,324,000	-	-
Special events - net of expenses of \$341,465 and \$165,585, respectively (including in-kind amounts of \$12,970 and \$12,020 respectively)	694,160	25,000	515,369	-
Interest income	39	-	25	-
Other income	5,567	-	-	-
	908,886	4,479,200	621,002	-
Net assets released from restrictions	608,012	(608,012)	83,061	(83,061)
Total support and revenue	1,516,898	3,871,188	704,063	(83,061)
EXPENSES:				
Program services	970,093	-	386,437	-
Management and general	92,655	-	53,012	-
Fundraising	52,106	-	42,714	-
Total expenses	1,114,854	-	482,163	-
Increase (decrease) in net assets	402,044	3,871,188	221,900	(83,061)
Net assets - beginning of year	650,608	42,939	428,708	126,000
Net assets - end of year	\$ 1,052,652	\$ 3,914,127	\$ 650,608	\$ 42,939

See independent auditors' report.
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**REACHING U,
A FOUNDATION FOR URUGUAY**
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,273,232	\$ 138,840
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities		
(Increase) in grants and contributions receivable	(2,189,721)	(28,829)
Decrease in other assets	-	12,650
Increase in accounts payable and accrued liabilities	<u>73,075</u>	<u>16,332</u>
Net cash provided by operating activities	2,156,586	137,993
(Increase) in investments and net cash (used in) investing activities	<u>(18)</u>	<u>(25)</u>
Net increase in cash and equivalents	2,156,568	137,968
Cash and equivalents, beginning of year	<u>681,424</u>	<u>543,456</u>
Cash and equivalents, end of the year	<u>\$ 2,837,991</u>	<u>\$ 681,424</u>

See independent auditors' report.

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REACHING U
A FOUNDATION FOR URUGUAY
Statements of Functional Expenses
For the Years Ended December 31, 2014 and 2013

	2014		2013			
	Program	Management and General	Fundraising	Total		
Program and charitable grants	\$ 469,756	\$ -	\$ -	\$ 469,756		
Program grants: Espigas	434,873	-	-	434,873		
Salaries and related costs	54,049	27,024	27,024	108,097		
Professional fees	-	45,598	-	45,598		
Consultants	-	14,327	4,776	19,103		
Marketing and promotion	-	-	14,598	14,598		
Bank charges	4,721	2,361	2,361	9,443		
Office expense	3,670	1,832	1,834	7,336		
Travel, meetings, and conferences	886	443	443	1,772		
Licenses and fees	711	356	356	1,423		
Telephone	636	317	317	1,270		
Postage	266	133	133	532		
Printing and copying	190	96	96	382		
Software	-	-	-	-		
Miscellaneous	335	168	168	671		
Total expenses	\$ 970,093	\$ 92,655	\$ 52,106	\$ 1,114,854		
			Program	Management and General	Fundraising	2013 Total
			\$ 328,553	\$ -	\$ -	\$ 328,553
			-	-	-	-
			52,258	26,128	26,128	104,514
			-	6,050	-	6,050
			-	18,023	6,008	24,031
			-	-	7,766	7,766
			823	411	412	1,646
			92	45	45	182
			531	265	265	1,061
			300	150	150	600
			237	118	118	473
			46	22	22	90
			2,447	1,224	1,224	4,895
			250	125	125	500
			900	451	451	1,802
			\$ 386,437	\$ 53,012	\$ 42,714	\$ 482,163

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

**REACHING U
A FOUNDATION FOR URUGUAY**
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 1. ORGANIZATION

Founded in 2001, Reaching U, A Foundation for Uruguay ("Reaching U") is a Delaware not-for-profit organization, based in Miami, Florida. Reaching U promotes initiatives and strengthens organizations that offer educational opportunities so that all Uruguayans living in poverty can develop their full potential.

Reaching U is exempt from Federal Income Tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509 (a)(2).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Reaching U have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification 958-205 ("ASC 958-205"), *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, Reaching U is required to report information regarding its financial position and activities according to three classes of net assets. The net assets of Reaching U are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of Reaching U.

The net assets also include those funds that are designated for specific purposes by the Board of Directors. This Board-designated quasi-endowment includes resources that have been designated by the Board of Directors to function as endowments and consist of amounts held in a reserve for operating contingences. Any portion of the quasi-endowment may be expended upon approval of the Board of Directors. Investment income from these net assets, if any, supports the current operations of Reaching U. The balance in Board designated net assets was \$225,000 as of June 30, 2014.

**REACHING U
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Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2014 and 2013, temporarily restricted net assets subject to future time and or purpose restrictions amounted to \$3,914,127 and \$42,939, respectively.

Permanently Restricted

Permanently restricted net assets include funds that have been restricted by donor to be held in perpetuity. Reaching U had no permanently restricted net assets at December 31, 2014 or 2013.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash Equivalents

Reaching U considers all unrestricted highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investment Policy and Objective

Investments in securities with readily determinable fair values are measured at fair value in the accompanying statement of financial position. Realized and unrealized gains or losses are reported in the accompanying statements of activities as increases and decreases in net assets. Reaching U's primary investment objective is to maximize total return with minimal risk. The stated goal is to preserve capital intended for Reaching U's charitable mission while generating cash flows to support current operations.

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Furniture and Equipment

If an expenditure results in an asset having an estimated useful life, which extends beyond the year of acquisition, the expenditure is capitalized and depreciated. Furniture and equipment are recorded at cost. Depreciation of furniture and equipment is provided under the straight-line method over the estimated useful lives of the assets

Expense Allocation

The costs of providing the various programs and other activities of Reaching U have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

Concentration of Credit Risk

Reaching U's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. Reaching U maintains cash and cash equivalent and investment balances that, at times, may exceed federally insured limits. To minimize such risks, Reaching U maintains its cash and cash equivalents in various financial institutions and invests only in certificates of deposit. Reaching U's cash and investment accounts are placed with high credit quality financial institutions. Reaching U monitors its credit risk on a regular basis and has neither experienced any loss from this neither excess nor does it anticipate nonperformance by these financial institutions. At December 31, 2014 and 2013 Reaching U's cash and cash equivalent and investments balances in excess of federally insured limits totaled \$2,313,179 and \$319,189, respectively.

Income Taxes

Reaching U has adopted Accounting Standards Codification 740 ("ASC 740") *Income Taxes*. ASC 740 requires that a tax position be recognized or derecognized based on a more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC 740 did not have an impact on Reaching U's tax-exempt status or on its financial statements. Reaching U currently has procedures in place to ensure the maintenance of its tax-exempt status. These include identifying and reporting unrelated business income, determining and meeting its filing and tax obligations in jurisdictions in which it operates. The management does not believe its financial statements include any uncertain tax positions.

Reaching U's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2010, 2011, and 2012, are subject to examination by the IRS, generally for three years after they were filed.

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Fair Value of Financial Instruments

Reaching U presents its financial instruments in accordance with Accounting Standards Codification 820 ("ASC 820") *Fair Value Measurements*. For financial statements elements currently required to be measured at fair value, this standard clarifies the definition of fair value for financial reporting by focusing on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of market-based information over entity-specific information within the measurement of fair value, and it establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories under ASC 820:

- Level 1 This level consists of quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2 This level includes pricing inputs (including broker quotes), that are other than exchange quoted prices in active markets. These pricing inputs are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies.
- Level 3 This level consists of pricing inputs that are unobservable for the asset or liability and it includes situations where there is little (if any) market activity for the asset or liability. The inputs used in the determination of fair value requires significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principle includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to current year presentation.

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A FOUNDATION FOR URUGUAY
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 3. INVESTMENTS

Investments at fair value held by Reaching U at December 31, 2014 and 2013 consisted entirely of Certificates of deposit.

Investment income of \$18 and \$25 for the years ended December 31, 2014 and 2013, respectively are included in the accompanying statements of activities.

The following table summarizes investments by fair value hierarchy levels as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 25,711	\$ -	\$ 25,711
Total investments	<u>\$ -</u>	<u>\$ 25,711</u>	<u>\$ -</u>	<u>\$ 25,711</u>

The following table summarizes investments by fair value hierarchy levels as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 25,693	\$ -	\$ 25,693
Total investments	<u>\$ -</u>	<u>\$ 25,693</u>	<u>\$ -</u>	<u>\$ 25,693</u>

NOTE 4. CONCENTRATION OF CONTRIBUTIONS AND SPECIAL PROJECT

Reaching U received approximately 83% of its contribution revenues from one private foundation during the year ended December 31, 2014. The donation is intended for the construction of a high school at the Centro Educativo Espigas in Uruguay. Without this pledge, there would be no concentration of contributions for the year ended December 31, 2014. There was no concentration of contributions during the year ended December 31, 2013.

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NOTE 5. DONATED GOODS AND SERVICES

Substantial amounts of services and space are donated by volunteers in carrying out the mission of Reaching U. No amounts have been reflected in the financial statements for those services either because the amounts cannot be quantified, or the volunteers' time does not meet the criteria for recognition under ASC 958.

Food and beverage costs amounting to \$12,970 and \$12,020 were donated by fund-raising event vendors during 2014 and 2013 and have been included in the statements of activities for that year under special events, as both revenues and event costs.

In addition, Reaching U received pro bono legal consultation services with an estimated fair value of approximately \$39,548 during 2014 in connection with the funding of the special project. This amount is reflected in the statements of activities as a contribution and in the statements of functional expenses as professional expenses.

NOTE 6. SPECIAL EVENT ACTIVITIES

Total artwork and other items donated for auction for the fundraising events during 2014 and 2013 are included in special event revenue on the statement of activities and amounted to \$222,335 and \$156,260, respectively.

NOTE 7. SUBSEQUENT EVENTS

Reaching U has adopted the Accounting Standard Codification No. 855 *Subsequent Events* ("ASC 855"). ASC 855 introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the statement of financial position date.

Reaching U evaluated its December 31, 2014 financial statements for subsequent events through April 24, 2015, the date the financial statements were available to be issued. Reaching U is not aware of any subsequent events which would require recognition or disclosure in the financial statements.