

**REACHING U,**

**A FOUNDATION FOR URUGUAY**

**Financial Report**

**December 31, 2015**

## TABLE OF CONTENTS

Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-13

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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, 2015 and 2014, and related statements of activities, functional expenses, and cash flows 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, 2015 and 2014, and the changes in its net assets, its functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Manger & Associate, CPAs P.C.***

May 18, 2016

**REACHING U,  
A FOUNDATION FOR URUGUAY**  
Statements of Financial Position  
As of December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,094,616	\$ 2,837,991
Investments	25,714	25,711
Grants and contributions receivable: Espigas	-	2,216,050
Grants and contributions receivable: other	<u>118,500</u>	<u>3,500</u>
Total assets	<u>\$ 2,238,830</u>	<u>\$ 5,083,252</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 109,310</u>	<u>\$ 116,473</u>
Total liabilities	<u>109,310</u>	<u>116,473</u>
 <b>NET ASSETS</b>		
Unrestricted		
Board designated	450,000	225,000
Undesignated	<u>798,290</u>	<u>827,652</u>
Total unrestricted net assets	1,248,290	1,052,652
Temporarily restricted net assets	<u>881,230</u>	<u>3,914,127</u>
Total net assets	<u>2,129,520</u>	<u>4,966,779</u>
Total liabilities and net assets	<u>\$ 2,238,830</u>	<u>\$ 5,083,252</u>

*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, 2015 and 2014

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>REVENUE AND SUPPORT:</b>				
Grants and contributions: other	\$ 209,526	\$ 246,075	\$ 209,121	\$ 130,200
Grants and contributions: Espigas	-	403,000	-	4,324,000
Fundraising events (including in-kind goods amounts of \$6,320 in 2015 and \$12,970 in 2014, respectively)	1,015,291	12,500	1,035,624	25,000
Interest income	3	-	39	-
Other income	3	-	5,567	-
	<u>1,224,823</u>	<u>661,575</u>	<u>1,250,351</u>	<u>4,479,200</u>
		<u>1,886,398</u>		<u>5,729,551</u>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions	<u>3,694,472</u>	<u>(3,694,472)</u>	<u>608,012</u>	<u>(608,012)</u>
Total revenue and support	<u>4,919,295</u>	<u>(3,032,897)</u>	<u>1,858,363</u>	<u>3,871,188</u>
		<u>1,886,398</u>		<u>5,729,551</u>
<b>EXPENSES:</b>				
Program services	<u>4,211,379</u>	-	<u>970,093</u>	-
Management and general	<u>160,864</u>	-	<u>92,655</u>	-
Fundraising:				
General	<u>74,896</u>	-	<u>52,106</u>	-
Events	<u>276,518</u>	-	<u>341,465</u>	-
Total expenses	<u>4,723,657</u>	-	<u>1,456,319</u>	-
		<u>4,723,657</u>		<u>1,456,319</u>
Change in net assets	<u>195,638</u>	<u>(3,032,897)</u>	<u>402,044</u>	<u>3,871,188</u>
		<u>(2,837,259)</u>		<u>4,273,232</u>
Net assets, beginning of year	<u>1,052,652</u>	<u>3,914,127</u>	<u>650,608</u>	<u>42,939</u>
Net assets, end of year	<u>\$ 1,248,290</u>	<u>\$ 881,230</u>	<u>\$ 1,052,652</u>	<u>\$ 3,914,127</u>
		<u>\$ 2,129,520</u>		<u>\$ 4,966,779</u>

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

**REACHING U  
A FOUNDATION FOR URUGUAY**

**Statements of Functional Expenses**

**For the Years Ended December 31, 2015 and 2014**

	Management and		Fundraising		2015 Total	Management and		Fundraising		2014 Total
	Program	General	Fundraising General	Fundraising Events		Program	General	Fundraising General	Fundraising Events	
EXPENSES:										
Program grants: Espigas	\$ 3,619,698	\$ -	\$ -	\$ -	\$ 3,619,698	\$ 434,873	\$ -	\$ -	\$ -	\$ 434,873
Program and charitable grants	498,291	-	-	-	498,291	469,756	-	-	-	469,756
Salaries and related costs	84,439	42,219	42,219	-	168,877	54,049	27,024	27,024	-	108,097
Catering and program	-	-	-	141,525	141,525	-	-	-	136,380	136,380
Professional fees	-	100,094	-	-	100,094	-	45,598	-	-	45,598
Auction fees and commissions	-	-	-	67,724	67,724	-	-	-	154,218	154,218
Space rental	-	-	-	45,477	45,477	-	-	-	31,375	31,375
Marketing and promotion	-	-	23,507	-	23,507	-	-	14,598	-	14,598
Consultants	-	14,072	4,691	3,500	22,263	-	14,327	4,776	-	19,103
Bank charges and processing fees	3,828	1,914	1,914	-	7,656	4,721	2,361	2,361	-	9,443
Travel, meetings, and conferences	2,448	1,224	1,224	2,900	7,796	886	443	443	165	1,937
Telephone	944	472	472	-	1,888	636	317	317	-	1,270
Office expenses	686	344	344	-	1,374	3,670	1,832	1,834	-	7,336
Postage	138	70	70	-	278	266	133	133	-	532
Licenses and fees	42	22	22	-	86	711	356	356	-	1,423
Printing and copying	-	-	-	-	-	190	96	96	-	382
Miscellaneous	865	433	433	15,392	17,123	335	168	168	19,327	19,998
Total expenses	\$ 4,211,379	\$ 160,864	\$ 74,896	\$ 276,518	\$ 4,723,657	\$ 970,093	\$ 92,655	\$ 52,106	\$ 341,465	\$ 1,456,319

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

**REACHING U,  
A FOUNDATION FOR URUGUAY**  
Statements of Cash Flows  
For the Years Ended December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,837,259)	\$ 4,273,232
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities		
Decrease (increase) in grants and contributions receivable	2,101,050	(2,189,721)
(Decrease) increase in accounts payable and accrued expenses	<u>(7,163)</u>	<u>73,075</u>
Net cash (use in) provided by operating activities	(743,372)	2,156,586
Cash flows from investing activities:		
(Increase) in investments	<u>(3)</u>	<u>(18)</u>
Net (decrease) increase in cash and equivalents	(743,375)	2,156,568
Cash and equivalents, beginning of year	<u>2,837,991</u>	<u>681,424</u>
Cash and equivalents, end of the year	<u>\$ 2,094,616</u>	<u>\$ 2,837,991</u>

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



**REACHING U**  
**A FOUNDATION FOR URUGUAY**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**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 Presentation

The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, Reaching U's resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

*Unrestricted Net Assets*

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

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are gifts of cash and other assets received with donor stipulations that limit the use of the donated assets. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities when a donor restriction expires or purpose restriction is accomplished.

*Permanently Restricted Net Assets*

Permanently restricted net assets are gifts of cash and other assets that have been designated by donors to be held in perpetuity. Reaching U did not have any permanently restricted net assets at December 31, 2015 or 2014.

**REACHING U**  
**A FOUNDATION FOR URUGUAY**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Cash and Cash Equivalents

Reaching U considers all liquid financial instruments with original maturity dates of ninety days or less when acquired 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.

Grants and Contributions Receivable

Grants and contributions that are expected to be collected within one year are recorded at their net realizable value. Grants and contributions receivable that are expected to be collected in future years are recorded at their net present value. The discounts on these amounts are computed using a risk-adjusted interest rate applicable to the year in which the receivable is generated. Amortization of the discount is included in the grants and contributions receivable.

Grants and Contributions

Grants and contributions are recognized as support in the period and are record as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions or law. All donor-restricted contributions are reported as increase in temporarily restricted or permanently restricted net assets. 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.

In-Kind Contributions

In-kind contributions are reflected as revenue and expense in the accompanying financial statements at estimated fair market value at time of donation.

Property and Equipment

Reaching U capitalizes property and equipment with an expected useful life of more than one year. Depreciation and amortization of property and equipment are provided on the straight-line method over the expected useful lives of the assets.

**REACHING U**  
**A FOUNDATION FOR URUGUAY**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Functional Expenses Allocation

Reaching U has summarized the costs of providing the various programs and other activities on functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management determined such allocations in accordance with grant provisions and/or other equitable bases.

Income Taxes

Reaching U has adopted Accounting Standards Codification ("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 adoption of this guidance did not have an impact on Reaching U's financial statements, as management believes that there are no uncertain tax positions within its financial statements.

Reaching U has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it was nexus; and to review other matters that may be considered tax positions.

Reaching U's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

Financial instruments that potentially subject Reaching U to concentrations of credit risk consist primarily of cash and cash equivalents. Reaching U maintains cash and cash equivalent balances in various bank accounts that, at times, may exceed federally insured limits. Reaching U's cash accounts were placed with high credit quality financial institutions. Reaching U has not experienced, nor does it anticipate, any losses in such accounts. At December 31, 2015 and 2014 Reaching U had uninsured cash balance of \$1,844,616 and \$2,313,179, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**REACHING U**  
**A FOUNDATION FOR URUGUAY**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Reclassifications

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

**NOTE 3. INVESTMENTS**

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.

**REACHING U**  
**A FOUNDATION FOR URUGUAY**  
Notes to Financial Statements  
December 31, 2015 and 2014

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**NOTE 3. INVESTMENTS – continued**

Investments at fair value held by Reaching U at December 31, 2015 and 2014 consisted entirely of Certificates of deposit.

Investment income of \$3 and \$18 for the years ended December 31, 2015 and 2014, respectively are included in the accompanying statements of activities.

The following table summarizes investments by fair value hierarchy levels as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 25,714	\$ -	\$ 25,714
Total investments	<u>\$ -</u>	<u>\$ 25,714</u>	<u>\$ -</u>	<u>\$ 25,714</u>

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>

**NOTE 4. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable consist of amounts to be received during the following years:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	<u>\$ 118,500</u>	<u>\$ 2,219,550</u>

**REACHING U**  
**A FOUNDATION FOR URUGUAY**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available to satisfy the following restrictions at December 31, 2015:

	December 31, 2014	Contributions	Net assets relased from restrictions	December 31, 2015
Purpose restricted	<u>\$ 3,914,127</u>	<u>\$ 661,575</u>	<u>\$ (3,694,472)</u>	<u>\$ 881,230</u>

Temporarily restricted net assets are available to satisfy the following restrictions at December 31, 2014:

	December 31, 2013	Contributions	Net assets relased from restrictions	December 31, 2014
Purpose restricted	<u>\$ 42,939</u>	<u>\$ 4,479,200</u>	<u>\$ (608,012)</u>	<u>\$ 3,914,127</u>

**NOTE 6. IN-KIND CONTRIBUTIONS**

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 \$6,320 and \$12,970 were donated by fund-raising event vendors during 2015 and 2014 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 \$87,579 and \$39,548 during 2015 and 2014 in connection with the funding of the special project, respectively. This amount is reflected in the statements of activities as a contribution and in the statements of functional expenses as professional expenses.

**REACHING U**  
**A FOUNDATION FOR URUGUAY**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 7. SPECIAL EVENT ACTIVITIES**

Total artwork and other items donated for auction for the fundraising events during 2015 and 2014 are included in special event revenue on the statement of activities and amounted to \$340,574 and \$222,335, respectively.

**NOTE 8. BOARD-DESIGNATED ENDOWMENT**

The board of directors has set aside certain unrestricted net assets for endowment purposes. Since these amounts are not restricted by the donor but restricted only by board policy, the amounts have been classified as unrestricted net assets. The board of directors may designate additional amounts from time to time to be added to the endowment fund.

	2015	2014
Endowment net assets, beginning of year	\$ 225,000	\$ -
Increase by:		
Contributions	225,000	225,000
Endowment net assets, end of year	<u>\$ 450,000</u>	<u>\$ 225,000</u>

**NOTE 9. CONCENTRATION OF CONTRIBUTIONS AND SPECIAL PROJECT**

Reaching U received approximately 38% and 83% of its contribution revenues from one private foundation during the year ended December 31, 2015 and 2014, respectively. The 2014 donation is intended for the construction of a high school at the Centro Educativo Espigas in Uruguay.

**NOTE 10. SUBSEQUENT EVENTS**

Reaching U evaluated its December 31, 2015 financial statements for subsequent events through May 18, 2016, 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.