

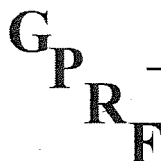
**REACHING U,
A FOUNDATION FOR URUGUAY**

Financial Report

December 31, 2016

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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, 2016 and 2015, 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.

Auditors' 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.

THE FIRM OF LORENTZ AND GRUBER SINCE 1945

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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, 2016 and 2015, 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.

Other Matter

The financial statements as of December 31, 2015, were audited by Manger & Associate CPAs P.C., who merged with Gruber Palumberi Raffaele Fried, CPAs, P.C. as of January 1, 2017, and whose reported dated May 18, 2016, expressed an unmodified opinion on those statements.

Gruber Palumberi Raffaele Fried, P.C.

New York, NY
July 25, 2017

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**REACHING U,
A FOUNDATION FOR URUGUAY**
Statements of Financial Position
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,370,508	\$ 2,094,616
Investments	25,720	25,714
Grants and contributions receivable	90,480	118,500
Prepaid expenses	26,264	-
Total assets	<u>\$ 1,512,972</u>	<u>\$ 2,238,830</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 87,588</u>	<u>\$ 109,310</u>
Total liabilities	<u>87,588</u>	<u>109,310</u>
NET ASSETS		
Unrestricted		
Board designated	460,000	450,000
Undesignated	<u>786,616</u>	<u>798,290</u>
Total unrestricted net assets	1,246,616	1,248,290
Temporarily restricted net assets	<u>178,768</u>	<u>881,230</u>
Total net assets	<u>1,425,384</u>	<u>2,129,520</u>
Total liabilities and net assets	<u>\$ 1,512,972</u>	<u>\$ 2,238,830</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, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Grants and contributions: other	\$ 68,076	\$ 74,882	\$ 142,958	\$ 121,947	\$ 246,075	\$ 368,022
Grants and contributions: Espigas	-	800,000	800,000	-	403,000	403,000
In-kind contributions	55,690	-	55,690	87,579	-	87,579
Fundraising events (including in-kind goods amounts of \$7,216 in 2016 and \$6,320 in 2015, respectively)	912,120	5,250	917,370	1,015,291	12,500	1,027,791
Interest income	6	-	6	3	-	3
Other income	4,604	-	4,604	3	-	3
	<u>1,040,496</u>	<u>880,132</u>	<u>1,920,628</u>	<u>1,224,823</u>	<u>661,575</u>	<u>1,886,398</u>
Net assets released from restrictions	1,582,594	(1,582,594)	-	3,694,472	(3,694,472)	-
Satisfaction of program restrictions	2,623,090	(702,462)	1,920,628	4,919,295	(3,032,897)	1,886,398
Total revenue and support						
EXPENSES:						
Program services	2,211,904	-	2,211,904	4,211,379	-	4,211,379
Management and general	136,806	-	136,806	160,864	-	160,864
Fundraising:						
General	65,529	-	65,529	74,896	-	74,896
Events	210,525	-	210,525	276,518	-	276,518
Total expenses	<u>2,624,764</u>	<u>-</u>	<u>2,624,764</u>	<u>4,723,657</u>	<u>-</u>	<u>4,723,657</u>
Change in net assets	(1,674)	(702,462)	(704,136)	195,638	(3,032,897)	(2,837,259)
Net assets, beginning of year	1,248,290	881,230	2,129,520	1,052,652	3,914,127	4,966,779
Net assets, end of year	<u>\$ 1,246,616</u>	<u>\$ 178,768</u>	<u>\$ 1,425,384</u>	<u>\$ 1,248,290</u>	<u>\$ 881,230</u>	<u>\$ 2,129,520</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, 2016 and 2015

	Program	Management and General	Fundraising		2016 Total	Program	Management and General	Fundraising		2015 Total
			Fundraising General	Fundraising Events				Fundraising General	Fundraising Events	
EXPENSES:										
Program grants: Espigas	\$ 1,333,069	\$ -	\$ -	\$ -	\$ 1,333,069	\$ 3,619,698	\$ -	\$ -	\$ -	\$ 3,619,698
Program and charitable grants	779,863	-	-	-	779,863	498,291	-	-	-	498,291
Salaries and related costs	97,289	48,645	48,645	-	194,579	84,439	42,219	42,219	-	168,877
Professional fees	-	81,535	-	26,372	107,907	-	100,094	-	-	100,094
Catering and program	-	-	-	69,724	69,724	-	-	-	141,525	141,525
Space rental	-	-	-	34,444	34,444	-	-	-	45,477	45,477
Auction fees and commissions	-	-	-	28,260	28,260	-	-	-	67,724	67,724
Bank charges and processing fees	768	207	7,650	5,313	13,938	3,828	1,914	1,914	-	7,656
Marketing and promotion	-	-	8,817	-	8,817	-	-	23,507	-	23,507
Consultants	-	-	-	6,250	6,250	-	14,072	4,691	3,500	22,263
Telephone and internet	-	3,652	-	135	3,787	944	472	472	-	1,888
Travel, meetings, and conferences	-	1,423	344	537	2,304	2,448	1,224	1,224	2,900	7,796
Rent	915	-	-	-	915	-	-	-	-	-
Licenses and fees	-	275	-	-	275	42	22	22	-	86
Postage	-	176	-	-	176	138	70	70	-	278
Office expenses	-	133	-	-	133	686	344	344	-	1,374
Printing and copying	-	35	-	-	35	-	-	-	-	-
Miscellaneous	-	725	73	39,490	40,288	865	433	433	15,392	17,123
Total expenses	\$ 2,211,904	\$ 136,806	\$ 65,529	\$ 210,525	\$ 2,624,764	\$ 4,211,379	\$ 160,864	\$ 74,896	\$ 276,518	\$ 4,723,657

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (704,136)	\$ (2,837,259)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities		
Decrease in grants and contributions receivable	28,020	2,101,050
(Increase) in prepaid expenses	(26,264)	-
(Decrease) in accounts payable and accrued expenses	<u>(21,722)</u>	<u>(7,163)</u>
Net cash (used in) operating activities	(724,102)	(743,372)
Cash flows from investing activities:		
(Increase) in investments	<u>(6)</u>	<u>(3)</u>
Net cash (used in) investing activities	(6)	(3)
Net (decrease) in cash and equivalents	(724,108)	(743,375)
Cash and equivalents, beginning of year	<u>2,094,616</u>	<u>2,837,991</u>
Cash and equivalents, end of the year	<u>\$ 1,370,508</u>	<u>\$ 2,094,616</u>

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

REACHING U
A FOUNDATION FOR URUGUAY
Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 or 2015.

REACHING U
A FOUNDATION FOR URUGUAY
Notes to Financial Statements
December 31, 2016 and 2015

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 recorded 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, 2016 and 2015

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, 2013, 2014 and 2015 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, 2016 and 2015 Reaching U had uninsured cash balance of \$1,146,228 and \$1,844,616, 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.

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, 2016 and 2015

NOTE 3. INVESTMENTS – continued

Investments at fair value held by Reaching U at December 31, 2016 and 2015 consisted entirely of Certificates of deposit.

Investment income of \$6 and \$3 for the years ended December 31, 2016 and 2015, respectively are included in the accompanying statements of activities.

The following table summarizes investments by fair value hierarchy levels as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 25,720	\$ -	\$ 25,720
Total investments	\$ -	\$ 25,720	\$ -	\$ 25,720

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	\$ -	\$ 25,714	\$ -	\$ 25,714

NOTE 4. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 90,480	\$ 118,500

REACHING U
A FOUNDATION FOR URUGUAY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to satisfy the following restrictions at December 31, 2016:

	December 31, 2015	Contributions	Net assets relased from restrictions	December 31, 2016
Purpose restricted	<u>\$ 881,230</u>	<u>\$ 880,132</u>	<u>\$ (1,582,594)</u>	<u>\$ 178,768</u>

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>

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 \$7,216 and \$6,320 were donated by fund-raising event vendors during 2016 and 2015 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 \$54,775 and \$87,579 during 2016 and 2015 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.

In 2016, Reaching U received donated office space with an estimated fair value of \$915.

REACHING U
A FOUNDATION FOR URUGUAY
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 7. SPECIAL EVENT ACTIVITIES

Total artwork and other items donated for auction for the fundraising events during 2016 and 2015 are included in special event revenue on the statement of activities and amounted to \$184,274 and \$340,574, 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.

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 450,000	\$ 225,000
Increase by:		
Contributions	<u>10,000</u>	<u>225,000</u>
Endowment net assets, end of year	<u>\$ 460,000</u>	<u>\$ 450,000</u>

NOTE 9. CONCENTRATION OF CONTRIBUTIONS

Reaching U received approximately 50% and 38% of its contribution revenues from one private foundation during the year ended December 31, 2016 and 2015, respectively.

NOTE 10. SUBSEQUENT EVENTS

Reaching U evaluated its December 31, 2016 financial statements for subsequent events through July 25, 2017, 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.