

REACHING U

A FOUNDATION FOR URUGUAY

Financial Report

December 31, 2012 and 2011

**REACHING U
A FOUNDATION FOR URUGUAY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the years ended December 31, 2012 and 2011**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2012 and 2011, 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 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 the 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 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, 2012 and 2011, 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.

Manger & Company

November 12, 2013

REACHING U
A FOUNDATION FOR URUGUAY
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 543,455	\$ 387,582
Investments	25,668	25,617
Other assets	<u>12,650</u>	<u>8,660</u>
Total assets	<u>\$ 581,774</u>	<u>\$ 421,859</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 27,066	\$ 42,886
Grants payable	<u>-</u>	<u>10,000</u>
Total liabilities	<u>27,066</u>	<u>52,886</u>
NET ASSETS		
Unrestricted	428,708	368,973
Temporarily restricted	<u>126,000</u>	<u>-</u>
Total net assets	<u>554,708</u>	<u>368,973</u>
Total liabilities and net assets	<u>\$ 581,774</u>	<u>\$ 421,859</u>

See independent auditor's 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, 2012 and 2011

	2012		2011	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total		Total	
SUPPORT AND REVENUE:				
Contribution revenues	\$ 70,328	\$ 250,000	\$ 79,083	\$ 87,230
Special events - net of expenses of \$82,336 and \$70,292 respectively	300,715	300,715	170,933	170,933
Interest income	51	51	66	66
Other income	1,320	1,320	1,158	1,158
Net assets released from restrictions	<u>124,000</u>	<u>(124,000)</u>	<u>87,230</u>	<u>(87,230)</u>
	<u>496,414</u>	<u>126,000</u>	<u>338,470</u>	<u>338,470</u>
EXPENSES:				
Program services	366,283	-	322,244	-
Management and general	51,494	-	36,100	-
Fundraising	<u>18,902</u>	<u>-</u>	<u>12,614</u>	<u>-</u>
	<u>436,679</u>	<u>-</u>	<u>370,959</u>	<u>370,959</u>
Increase (decrease) in net assets	59,735	126,000	(32,489)	-
Net assets - beginning of year	<u>368,973</u>	<u>-</u>	<u>401,462</u>	<u>-</u>
Net assets - end of year	<u>\$ 428,708</u>	<u>\$ 126,000</u>	<u>\$ 368,973</u>	<u>\$ -</u>
	<u>\$ 554,708</u>	<u>\$ 554,708</u>	<u>\$ 368,973</u>	<u>\$ 368,973</u>

See independent auditor's report.
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REACHING U
A FOUNDATION FOR URUGUAY
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 185,735	\$ (32,489)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities		
(Increase) in other assets	(3,990)	9,680
(Decrease) in accounts payable and accrued liabilities	(15,820)	42,886
(Decrease) in grants payable	<u>(10,000)</u>	<u>10,000</u>
Net cash provided by operating activities	155,925	30,077
(Increase) decrease in investments and Net cash (used in) provided by investing activities	<u>(51)</u>	<u>(66)</u>
(Decrease) in loans and advances and Net cash (used in) financing activities	<u>-</u>	<u>(1,000)</u>
Net increase in cash and equivalents	155,874	29,011
Cash and equivalents, beginning of year	<u>387,582</u>	<u>358,571</u>
Cash and equivalents, end of the year	<u>\$ 543,455</u>	<u>\$ 387,582</u>
Supplementary Information:		
Net cash paid for interest	None	None
Net cash paid for income taxes	None	None

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

A FOUNDATION FOR
URUGUAY
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2012 and 2011

	2012			2011			
	Program	Management and General	Fundraising	Program	Management and General	Fundraising	Total
Program and charitable grants	\$ 357,553	\$ -	\$ -	\$ 314,423	\$ -	\$ -	\$ 314,423
Professional fees	-	18,851	-	-	21,390	-	21,390
Consultants	-	28,278	9,426	-	10,800	3,600	14,400
Printing and copying	1,937	968	968	4,947	2,473	2,473	9,893
Marketing and promotion	-	-	5,111	-	-	5,103	5,103
Bank charges	1,337	669	669	1,536	768	768	3,073
Postage	220	110	110	237	119	119	475
Travel, meetings and conferences	1,324	662	662	169	85	85	339
Telephone	234	117	117	146	73	73	291
Office expense	36	18	18	39	19	19	77
Licenses and fees	390	195	195	31	15	15	61
Software	1,485	743	743	20	10	10	40
Miscellaneous	1,766	883	883	697	348	348	1,394
Total expenses	\$ 366,283	\$ 51,494	\$ 18,902	\$ 322,244	\$ 36,100	\$ 12,614	\$ 370,959

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

**REACHING U
A FOUNDATION FOR URUGUAY
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011**

NOTE 1. ORGANIZATION

Founded in 2001, Reaching U a Foundation for Uruguay ("Reaching U") is a Delaware not-for-profit organization, based in New York. The purpose of the Foundation is to improve living conditions and opportunities for the neediest children and women in Uruguay, and help them gain self-confidence and the will to go forward to a more dignified life. Its objectives are accomplished through volunteer working groups who raise monies through events and fund raisers in the United States and Uruguay for specially identified projects to accomplish its objectives and to promote social, intellectual and material exchanges between Uruguayans living at home and abroad.

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.

**REACHING U
A FOUNDATION FOR URUGUAY
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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, 2012 and 2011, temporarily restricted net assets subject to future time and or purpose restrictions amounted to \$126,000 and none, 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, 2012 or 2011.

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

The Foundation 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.

**REACHING U
A FOUNDATION FOR URUGUAY
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenses are charged to programs on the basis of specific identification and periodic time and expense studies. Agency administration expenses include those not directly identifiable with any specific program and have been allocated in accordance with regulatory agency guidelines.

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, 2012 and 2011 Reaching U's cash and cash equivalent and investments balances in excess of federally insured limits totaled \$119,301 and \$120,436, 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 the foundation'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 for Income Tax*, for the years ending December 31, 2011, 2010, and 2009, are subject to examination by the IRS, generally for three years after they were filed.

**REACHING U
A FOUNDATION FOR URUGUAY
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

REACHING U
A FOUNDATION FOR URUGUAY
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

NOTE 3. INVESTMENTS

Investments at fair value held by Reaching U at December 31, 2012 and 2011 consisted entirely of Certificates of deposit.

Investment income of \$51 and \$ 66 for the years ended December 31, 2012 and 2011, respectively are included in the accompanying statements of activities.

The following table summarizes investments by fair value hierarchy levels as of December 31, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 25,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,668</u>
Total investments	<u>\$ 25,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,668</u>

The following table summarizes investments by fair value hierarchy levels as of December 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 25,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,617</u>
Total investments	<u>\$ 25,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,617</u>

**REACHING U
A FOUNDATION FOR URUGUAY
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011**

NOTE 4. CONCENTRATION OF CONTRIBUTIONS

The Foundation received approximately 91% and 60% of its contribution revenues from two major donors during the years ended December 31, 2012 and 2011 respectively.

NOTE 5. DONATED 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.

NOTE 6. SPECIAL EVENT ACTIVITIES

Total donated assets received during 2012 and 2011 reflected in revenues amounted to \$63,635 and \$86,750 respectively.

Other assets consist of donated goods intended for auction, but not sold during the years and held by Reaching U at December 31, 2012 and 2011. They are reflected at estimated fair value based on anticipated future auction proceeds.

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, 2012 financial statements for subsequent events through November 12, 2013, 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.