

**Amigos de las Américas**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2014 and 2013

## Independent Auditors' Report

To the Board of Directors of  
Amigos de las Américas:

We have audited the accompanying financial statements of 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.

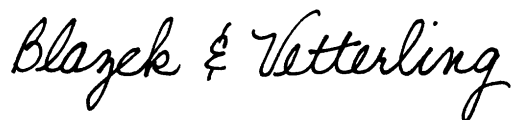
**Auditors' Responsibility** – Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain 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 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.

**Prior Year Independent Auditors' Report** – The financial statements of Amigos de las Américas as of December 31, 2013 and for the year then ended were audited by other auditors whose report dated July 15, 2014 expressed an unmodified opinion on those statements.



June 23, 2015

## Amigos de las Américas

Statements of Financial Position as of December 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 456,771	\$ 112,451
Receivable from AMIGOS Chapters (Note 2)	27,600	125,532
Government grant receivable	161,266	125,750
Prepaid expenses and other assets	113,930	59,702
Property (Note 3)	543,802	605,412
Investments (Note 4)	<u>1,380,749</u>	<u>1,892,933</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,684,118</u></b>	<b><u>\$ 2,921,780</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 149,413	\$ 238,939
Payable to AMIGOS Foundation (Note 2)	43,940	
Due to AMIGOS Chapters (Note 2)	33,283	409,297
Participant deposits	27,785	
Deferred revenue	89,150	10,250
Note payable (Note 5)	<u>137,444</u>	<u>157,590</u>
Total liabilities	<u>481,015</u>	<u>816,076</u>
Net assets:		
Unrestricted (Note 7)	1,888,392	1,806,613
Temporarily restricted (Note 6)	50,877	35,257
Permanently restricted (Note 7)	<u>263,834</u>	<u>263,834</u>
Total net assets	<u>2,203,103</u>	<u>2,105,704</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,684,118</u></b>	<b><u>\$ 2,921,780</u></b>

*See accompanying notes to financial statements.*

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## Amigos de las Américas

Statement of Activities for the year ended December 31, 2014

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Participant fees	\$ 3,173,755			\$ 3,173,755
U. S. Department of State grants	344,139			344,139
Contributions	283,594	\$ 55,388		338,982
AMIGOS Foundation: (Note 2)				
Management fee	135,558			135,558
Grant	14,738			14,738
AMIGOS Chapter training fees	19,861			19,861
AMIGOS Board meeting fees	45,305			45,305
Special events	63,150			63,150
Cost of special event benefits	(20,826)			(20,826)
Investment return (Note 4)	88,688	16,111		104,799
Other	<u>3,906</u>	<u>          </u>		<u>3,906</u>
Total revenue	4,151,868	71,499		4,223,367
Net assets released from restrictions:				
Financial aid and program support	<u>55,879</u>	<u>(55,879)</u>		<u>          </u>
Total	<u>4,207,747</u>	<u>15,620</u>		<u>4,223,367</u>
EXPENSES:				
Program	3,346,638			3,346,638
Management and general	413,230			413,230
Fundraising	<u>366,100</u>			<u>366,100</u>
Total expenses	<u>4,125,968</u>			<u>4,125,968</u>
CHANGES IN NET ASSETS	81,779	15,620		97,399
Net assets, beginning of year	<u>1,806,613</u>	<u>35,257</u>	<u>\$ 263,834</u>	<u>2,105,704</u>
Net assets, end of year	<u>\$ 1,888,392</u>	<u>\$ 50,877</u>	<u>\$ 263,834</u>	<u>\$ 2,203,103</u>

*See accompanying notes to financial statements.*

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## Amigos de las Américas

### Statement of Activities for the year ended December 31, 2013

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Participant fees	\$ 2,854,182			\$ 2,854,182
U. S. Department of State grants	304,976			304,976
Contributions	639,820	\$ 5,000		644,820
AMIGOS Chapter training fees	11,140			11,140
AMIGOS Board meeting fees	40,585			40,585
Special events	50,815			50,815
Cost of special event benefits	(10,397)			(10,397)
Investment return (Note 4)	287,977			287,977
Other	<u>148,245</u>			<u>148,245</u>
Total revenue	4,327,343	5,000		4,332,343
Net assets released from restrictions:				
Financial aid and program support	<u>18,991</u>	<u>(18,991)</u>		
Total	<u>4,346,334</u>	<u>(13,991)</u>		<u>4,332,343</u>
EXPENSES:				
Program	4,109,680			4,109,680
Management and general	151,071			151,071
Fundraising	<u>404,408</u>			<u>404,408</u>
Total expenses	<u>4,665,159</u>			<u>4,665,159</u>
CHANGES IN NET ASSETS	(318,825)	(13,991)		(332,816)
Net assets, beginning of year	<u>2,125,438</u>	<u>49,248</u>	<u>\$ 263,834</u>	<u>2,438,520</u>
Net assets, end of year	<u>\$ 1,806,613</u>	<u>\$ 35,257</u>	<u>\$ 263,834</u>	<u>\$ 2,105,704</u>

*See accompanying notes to financial statements.*

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## Amigos de las Américas

### Statements of Cash Flows for the years ended December 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 97,399	\$ (332,816)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Realized and unrealized gain on investments	(59,389)	(217,050)
Depreciation	61,610	54,529
Changes in operating assets and liabilities:		
Receivable from AMIGOS Chapters	97,932	384,847
Government grant receivable	(35,516)	(41,509)
Prepaid expenses and other assets	(54,228)	10,013
Accounts payable and accrued expenses	(89,526)	52,907
Payable to AMIGOS Foundation	43,940	
Due to AMIGOS Chapters	(376,014)	(36,974)
Participant deposits	27,785	
Deferred revenue	<u>78,900</u>	<u>(553,361)</u>
Net cash used by operating activities	<u>(207,107)</u>	<u>(679,414)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(466,080)	(1,608,701)
Proceeds from sales and maturities of investments	1,043,418	2,434,131
Net change in money market mutual funds held as investments	<u>(5,765)</u>	<u>(2,945)</u>
Net cash provided by investing activities	<u>571,573</u>	<u>822,485</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	<u>(20,146)</u>	<u>(134,170)</u>
NET CHANGE IN CASH	344,320	8,901
Cash, beginning of year	<u>112,451</u>	<u>103,550</u>
Cash, end of year	<u>\$ 456,771</u>	<u>\$ 112,451</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$7,505	\$37,057

*See accompanying notes to financial statements.*

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## Amigos de las Américas

Notes to Financial Statements for the years ended December 31, 2014 and 2013

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Amigos de las Américas (AMIGOS) is a privately funded organization incorporated in Texas that builds partnerships to empower young leaders, advance community development, and strengthen multi-cultural understanding in the Americas. The national headquarters, located in Houston, Texas, plans and implements summer field projects in Latin America and provides materials and support for volunteer recruitment and training.

Affiliates – AMIGOS is affiliated with Foundation for Amigos de las Américas (AMIGOS Foundation), a Texas nonprofit corporation formed in 2003 to support the youth leadership and sustainable development work of AMIGOS. AMIGOS is also affiliated with 25 chapters (AMIGOS Chapters) throughout the United States which recruit, fundraise, train, organize, and support participants and their families. AMIGOS Chapters are separately incorporated organizations governed by independent boards of directors which share AMIGOS' mission and vision.

Basis of presentation – These financial statements do not include the assets, liabilities, net assets or activities of AMIGOS Foundation or AMIGOS Chapters.

Federal income tax status – AMIGOS holds a group exemption under which AMIGOS and AMIGOS Chapters are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and classified as public charities under §509(a)(1) and §170(b)(1)(A)(vi). AMIGOS files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. AMIGOS believes it is no longer subject to examinations of returns for tax years ended before December 31, 2011. AMIGOS Chapters each file their own annual federal information returns.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Property is reported at cost, if purchased, or estimated fair value at the date of the gift, if donated. Depreciation is computed using the straight-line method over estimated useful lives of 30 years for building and improvements and three to five years for furniture, equipment, and software.

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 – Contributions, investment return, 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. The investment return is available to award scholarships to program participants.

Participant fees are recognized over the period the participants' program occurs. Fees received for programs that have not yet occurred or have not yet been completed are reported as deferred revenue until earned.

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 revenue.

In-kind contributions – Donated materials and use of facilities are recognized as revenue at fair value 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. Except for the professional staff in Houston, most persons connected with AMIGOS are volunteers. While such services are indispensable to AMIGOS, no amount is recognized in these financial statements for such services as they do not meet the criteria for recognition.

Government grants are recognized as the related expenses are incurred.

Special events revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as deferred revenue. The cost of special event benefits represents the cost of goods and services provided to attendees of special events.

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.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

## **NOTE 2 – TRANSACTIONS WITH AMIGOS FOUNDATION AND AMIGOS CHAPTERS**

In 2014, AMIGOS entered into an affiliation agreement with AMIGOS Foundation. 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.



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

AMIGOS Chapters fundraise and collect fees for participants they recruit and train. AMIGOS invoices AMIGOS Chapters for fees for their respective participants. AMIGOS' employees provide training and other support to some AMIGOS Chapters for which AMIGOS is reimbursed. At December 31, 2013, AMIGOS held funds on behalf of certain chapters and paid interest on those funds monthly based on the prime rate published by the Wall Street Journal. This program was discontinued during 2014.

### NOTE 3 – PROPERTY

Property consists of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 409,721	\$ 409,721
Building and improvements	366,129	366,129
Furniture and equipment	473,842	473,842
Software	<u>178,911</u>	<u>178,911</u>
Total property	1,428,603	1,428,603
Accumulated depreciation	<u>(884,801)</u>	<u>(823,191)</u>
Property, net	<u>\$ 543,802</u>	<u>\$ 605,412</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:				
Common stock:				
Information technology	\$ 127,331			\$ 127,331
Financials	116,547			116,547
Healthcare	105,944			105,944
Consumer discretionary	82,682			82,682
Industrials	74,200			74,200
Consumer staples	68,445			68,445
Energy	51,400			51,400
Materials	36,395			36,395
Telecommunications	17,075			17,075
Fixed-income bonds:				
Corporate		\$ 300,978		300,978
Municipal		154,488		154,488
Mutual funds:				
Money market	99,457			99,457
Small-cap equity	80,973			80,973
International equity	64,834			64,834
Total assets measured at fair value	<u>\$ 925,283</u>	<u>\$ 455,466</u>	<u>\$ 0</u>	<u>\$ 1,380,749</u>

Assets measured at fair value at December 31, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 177,646			\$ 177,646
Financials	104,365			104,365
Healthcare	114,430			114,430
Consumer discretionary	109,974			109,974
Industrials	125,998			125,998
Consumer staples	89,539			89,539
Energy	122,722			122,722
Materials	18,870			18,870
Telecommunications	17,936			17,936
Fixed-income bonds:				
Corporate		\$ 557,824		557,824
U. S. Treasury and agency		152,793		152,793
Mutual funds:				
Money market	93,692			93,692
Small-cap equity	100,361			100,361
International equity	106,783			106,783
Total assets measured at fair value	<u>\$ 1,182,316</u>	<u>\$ 710,617</u>	<u>\$ 0</u>	<u>\$ 1,892,933</u>

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

- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.

- *Fixed-income bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.
- *Mutual funds* are valued at the reported net asset value.

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 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 consists of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 45,410	\$ 70,927
Realized and unrealized gain on investments	<u>59,389</u>	<u>217,050</u>
Total investment return	<u>\$ 104,799</u>	<u>\$ 287,977</u>

#### **NOTE 5 – NOTE PAYABLE**

The note payable consists of a promissory note to an individual which is secured by land and improvements purchased in September 2010. The note bears interest at a fixed rate of 5.00%. Principal and interest payments of \$6,913 are due quarterly. The lender may accelerate maturity of the note upon 120-days written notice. Unless accelerated by the lender, the principal balance of the note is due as follows:

2015	\$ 21,173
2016	22,251
2017	23,385
2018	24,576
2019	25,828
2020	<u>20,231</u>
Total note payable	<u>\$ 137,444</u>

#### **NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Paraguay Youth Leaders program	\$ 15,000	
Latin American Youth program	14,174	\$ 35,257
Latin American Youth volunteers financial aid	5,000	
Other	<u>16,703</u>	
Total temporarily restricted net assets	<u>\$ 50,877</u>	<u>\$ 35,257</u>

**NOTE 7 – ENDOWMENT FUNDS**

AMIGOS maintains donor-restricted endowment funds that are intended to provide volunteers with an opportunity to participate in the various programs offered by AMIGOS. The specific criteria to award financial aid may be limited by donors to specific geographic locations and volunteer origin and ethnicity.

Endowment net asset composition at December 31, 2014 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ <u>0</u>	\$ <u>16,111</u>	\$ <u>263,834</u>	\$ <u>279,945</u>

Endowment net asset composition at December 31, 2013 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds	\$ <u>(35,168)</u>	\$ <u>0</u>	\$ <u>263,834</u>	\$ <u>228,666</u>

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

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2012	\$ 38,325	\$ 0	\$ 263,834	\$ 302,159
Investment return:				
Net depreciation of investments	<u>(73,493)</u>	<u>          </u>	<u>          </u>	<u>(73,493)</u>
Endowment net assets, December 31, 2013	<u>(35,168)</u>	<u>0</u>	<u>263,834</u>	<u>228,666</u>
Investment return:				
Interest and dividends	<u>          </u>	<u>6,981</u>	<u>          </u>	<u>6,981</u>
Net realized and unrealized gain	<u>35,168</u>	<u>9,130</u>	<u>          </u>	<u>44,298</u>
Net investment return	<u>35,168</u>	<u>16,111</u>	<u>          </u>	<u>51,279</u>
Endowment net assets, December 31, 2014	\$ <u>0</u>	\$ <u>16,111</u>	\$ <u>263,834</u>	\$ <u>279,945</u>

The Board of Directors of AMIGOS has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring 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 classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for distribution by the Board of Directors in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of AMIGOS and the donor-restricted endowment funds
- 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
- The investment policies of AMIGOS

#### Investment and Spending Policies

AMIGOS 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 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 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 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 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 – EMPLOYEE BENEFIT PLAN**

AMIGOS maintains a tax deferred annuity plan that qualifies under §403(b) of the Code. The plan is an arrangement whereby an amount to be determined annually at AMIGOS' discretion is paid to an annuity contract owned by individual employees. Net of forfeitures, AMIGOS contributed \$38,167 to the plan in 2014 and \$45,071 in 2013.

#### **NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 23, 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.