

AVINA AMERICAS, INC.

FINANCIAL STATEMENTS
December 31, 2018 and 2017

AVINA AMERICAS, INC.
Washington, D.C.

Financial Statements
December 31, 2018 and 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS	6

INDEPENDENT AUDITOR'S REPORT

Board of Directors
AVINA Americas, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of AVINA Americas, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities 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 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 AVINA Americas, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, AVINA Americas, Inc. has adopted Accounting Standards Update (ASU) 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.


Crowe LLP

Indianapolis, Indiana
February 22, 2019

AVINA AMERICAS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,757,026	\$ 4,816,826
Contributions receivable	625,000	1,946,558
Property and equipment, net of accumulated depreciation of \$12,964 and \$11,285 in 2018 and 2017	<u>3,190</u>	<u>3,398</u>
Total assets	<u>\$ 2,385,216</u>	<u>\$ 6,766,782</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 3,886	\$ -
Accrued expenses	<u>12,070</u>	<u>-</u>
Total liabilities	15,956	-
Net assets		
Without donor restrictions	488,452	319,668
With donor restrictions (Note 3)	<u>1,880,808</u>	<u>6,447,114</u>
Total net assets	<u>2,369,260</u>	<u>6,766,782</u>
Total liabilities and net assets	<u>\$ 2,385,216</u>	<u>\$ 6,766,782</u>

See accompanying notes to financial statements.

AVINA AMERICAS, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 10,317	\$ 1,835,840	\$ 1,846,157
Write-off of uncollectible receivable	-	(400,000)	(400,000)
Interest and dividends	8,246	-	8,246
Net assets released from restrictions	<u>6,002,146</u>	<u>(6,002,146)</u>	<u>-</u>
Total revenue	<u>6,020,709</u>	<u>(4,566,306)</u>	<u>1,454,403</u>
Expenses			
Water conservation	1,894,225	-	1,894,225
Migration	1,401,366	-	1,401,366
Technology for social change	1,106,558	-	1,106,558
Recycling	959,935	-	959,935
Political innovation	143,519	-	143,519
Other	<u>21,538</u>	<u>-</u>	<u>21,538</u>
Total program services	5,527,141	-	5,527,141
Management and general	216,322	-	216,322
Fundraising	<u>108,462</u>	<u>-</u>	<u>108,462</u>
Total expenses	<u>5,851,925</u>	<u>-</u>	<u>5,851,925</u>
Change in net assets	168,784	(4,566,306)	(4,397,522)
Net assets, beginning of year	<u>319,668</u>	<u>6,447,114</u>	<u>6,766,782</u>
Net assets, end of year	<u>\$ 488,452</u>	<u>\$ 1,880,808</u>	<u>\$ 2,369,260</u>

See accompanying notes to financial statements.

AVINA AMERICAS, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 69,004	\$ 9,829,889	\$ 9,898,893
Interest and dividends	3,970	-	3,970
Net assets released from restrictions	<u>4,997,334</u>	<u>(4,997,334)</u>	<u>-</u>
Total revenue	<u>5,070,308</u>	<u>4,832,555</u>	<u>9,902,863</u>
Expenses			
Migration	1,901,393	-	1,901,393
Technology for social change	986,091	-	986,091
Recycling	894,857	-	894,857
Water conservation	582,513	-	582,513
Political innovation	<u>93,765</u>	<u>-</u>	<u>93,765</u>
Total program services	4,458,619	-	4,458,619
Management and general	259,479	-	259,479
Fundraising	<u>63,938</u>	<u>-</u>	<u>63,938</u>
Total expenses	<u>4,782,036</u>	<u>-</u>	<u>4,782,036</u>
Change in net assets	288,272	4,832,555	5,120,827
Net assets, beginning of year	<u>31,396</u>	<u>1,614,559</u>	<u>1,645,955</u>
Net assets, end of year	<u>\$ 319,668</u>	<u>\$ 6,447,114</u>	<u>\$ 6,766,782</u>

See accompanying notes to financial statements.

AVINA AMERICAS, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (4,397,522)	\$ 5,120,827
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	1,679	2,796
Write-off of uncollectible receivable	400,000	-
Change in assets and liabilities		
Contributions receivable	921,558	(1,946,558)
Prepaid expenses	-	6,404
Accounts payable	3,886	(4,362)
Accrued expenses	12,070	(16,956)
Grants payable	<u>-</u>	<u>(50,000)</u>
Net cash from operating activities	<u>(3,058,329)</u>	<u>3,112,151</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(1,471)</u>	<u>(2,049)</u>
Net cash from investing activities	<u>(1,471)</u>	<u>(2,049)</u>
Net change in cash and cash equivalents	(3,059,800)	3,110,102
Cash and cash equivalents at beginning of year	<u>4,816,826</u>	<u>1,706,724</u>
Cash and cash equivalents at end of year	<u>\$ 1,757,026</u>	<u>\$ 4,816,826</u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization: Avina Americas, Inc. (AVINA) is a non-profit organization incorporated in August 2008 in the state of Delaware. AVINA was organized to contribute to sustainable development, primarily in Latin America, by encouraging productive alliances based on trust among social and business leaders and by brokering consensus around agendas for action.

AVINA is a component of Fundación Avina. The balances and activities of other components are not included in these financial statements. These financial statements are not intended to be the consolidated financial statements of Fundación Avina. The consolidated financial statements of Fundación Avina are prepared separately. The consolidated financial statements eliminate all material inter-organizational accounts and transactions.

Basis of Accounting: AVINA maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). AVINA follows GAAP and reports information regarding its financial position and activities according to two classes of net assets:

Without Donor Restrictions Net Assets – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of AVINA and/or with the passage of time. Also, net assets subject to donor-imposed stipulations that assets be maintained permanently by AVINA. Generally, the donors of these assets permit AVINA to use all or part of the income earned on any related investments for general or specific purposes. AVINA did not have any net assets with donor restrictions of a permanent nature as of December 31, 2018 and 2017.

Use of Estimates: GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Income Taxes: AVINA is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, AVINA is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit will be recorded.

AVINA does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. AVINA recognizes interest and/or penalties related to income tax matters in income tax expense. AVINA did not have any amounts accrued for interest and penalties at December 31, 2018 and 2017.

Cash and Cash Equivalents: For financial statement purposes, AVINA considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. However, amounts held in the investment portfolios, regardless of maturity, are not considered cash and cash equivalents. As of December 31, 2018 and 2017, the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit was \$1,259,975 and \$4,321,079, respectively.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable: Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Write-off of the receivable occurs when all collection efforts have been exhausted or certain conditions for forgiveness have been reached. All receivables are deemed to be collectible by management at December 31, 2018 and 2017.

Property and Equipment: Property and equipment in excess of \$500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the shorter of the useful life or remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Impairment of Long-Lived Assets: On an ongoing basis, AVINA reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. AVINA recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows. At December 31, 2018 and 2017, no impairment is thought to exist.

Fair Value Measurement: Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in AVINA's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying values of AVINA's financial instruments, which include cash and cash equivalents, contributions receivable, accounts payable and accrued expenses approximate fair value.

Revenue Recognition: AVINA reports contributions as with donor restrictions support when received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with no donor imposed restrictions are recorded as increases in without donor restrictions net assets.

Recent Accounting Pronouncement: On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. AVINA implemented this guidance during the year ended December 31, 2018 and has adjusted the presentation of these financial statements and notes accordingly.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2018 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2018. Management has performed their analysis through February 22, 2019, the date the financial statements were available to be issued.

(Continued)

AVINA AMERICAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 - CONTRIBUTIONS RECEIVABLE

The following is a summary of contributions receivable as of December 31:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
2018	\$ -	\$ 1,146,558
2019	225,000	400,000
2020	<u>400,000</u>	<u>400,000</u>
Net contributions receivable	<u>\$ 625,000</u>	<u>\$ 1,946,558</u>

As of December 31, 2018, AVINA had \$300,000 of funding that was conditional upon the satisfactory completion of milestones and, therefore, has not been recorded as contribution revenue. As of December 31, 2017, AVINA had \$1,160,000 of conditional funding.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Recycling	\$ 1,109,489	\$ 1,544,080
Technology for social change	507,958	732,295
Water conservation	178,909	2,092,340
Political innovation	46,630	202,826
Migration	35,891	1,870,573
Other	<u>1,931</u>	<u>5,000</u>
Total net assets with donor restrictions	<u>\$ 1,880,808</u>	<u>\$ 6,447,114</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors from programs as follows at December 31:

	<u>2018</u>	<u>2017</u>
Water conservation	\$ 2,090,108	\$ 710,111
Migration	1,521,547	2,150,888
Technology for social change	1,148,424	1,022,705
Recycling	1,068,356	1,014,759
Political innovation	156,196	97,174
Other	<u>17,515</u>	<u>1,697</u>
Total net assets released from restrictions	<u>\$ 6,002,146</u>	<u>\$ 4,997,334</u>

NOTE 4 - CONCENTRATION OF REVENUE RISK

For the year ended December 31, 2018, AVINA received approximately 94% of its total contributions from four contributors and 100% of the contributions receivable was from one contributor. For the year ended December 31, 2017, AVINA received approximately 62% of its total contributions from four contributors and approximately 82% of the contributions receivable were from two contributors.

(Continued)

NOTE 5 - RELATED PARTY

AVINA is separate but related to the Fundación AVINA (the “Fundación”), a nonprofit organization located in Panama. A Board resolution guides transactions between the two entities.

To assist with the implementation of shared projects, AVINA entered into grant agreements to award the Fundación \$1,813,975 and \$1,531,433 during 2018 and 2017, respectively. AVINA had no outstanding grants payable to the Fundación as of December 31, 2018 and 2017.

During the years ended December 31, 2018 and 2017, the Fundación did not contribute any funds to AVINA and AVINA had no outstanding contributions receivable from the Fundación as of December 31, 2018 and 2017.

NOTE 6 - RETIREMENT PLAN

AVINA has a 401(k) retirement benefit plan for its employees through a defined contribution plan covering all eligible employees. AVINA contributes 3.5% percent of gross wages limited to a maximum employer contribution of \$5,000 per employee. Contributions to the plan for the years ended December 31, 2018 and 2017 were \$10,347 and \$6,583, respectively.

NOTE 7 - CONDITIONAL GRANT LIABILITY

AVINA has entered into certain grant agreements which stipulate that the grantees must meet certain financial and reporting conditions before the funds will be disbursed. Due to those conditions, AVINA has not recorded the entire amount of the grant agreements as liabilities on the Statements of Financial Position. Grants are recognized as expense and payable when the conditions are met. The amount of conditional grant commitments not recorded as of December 31, 2018 and 2017 is \$340,520 and \$1,348,805, respectively. All conditional grant commitments are expected to be paid within one year.

NOTE 8 - LIQUIDITY AND AVAILABILITY

AVINA’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise operating cash and cash equivalents of \$501,218 as of December 31, 2018.

AVINA also maintains separate cash balances for donor restricted programs, which amounted to \$1,255,808 as of December 31, 2018. Administrative fee transfers from the restricted cash balances are made to the operating cash balance in accordance with agreements with contributors and are then available for general expenditure.

AVINA AMERICAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9 - EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of AVINA. Program Activities include water conservation, migration, technology for social change, recycling, political innovation, and other. The table below presents these functional expenses by their natural classification for the year ended December 31, 2018.

	Program Activities						Supporting Activities		Total
	Water Conservation	Migration	Technology for Social Change	Recycling	Political Innovation	Other	Management and General	Fundraising	
Subgrants	\$ 1,874,389	\$ 1,358,775	\$ 1,048,175	\$ 950,265	\$ 142,559	\$ 12,720	\$ -	\$ -	\$ 5,386,883
Salary and benefits	15,765	17,590	56,913	7,893	54	-	143,103	91,702	333,020
Professional fees and consulting	2,270	22,734	555	1,552	529	7,041	28,109	6,374	69,164
Travel	-	288	-	-	-	-	27,382	3,787	31,457
Insurance	-	-	-	-	-	317	5,827	605	6,749
Bank fees	795	1,979	915	225	377	101	1,712	152	6,256
Rent and occupancy	-	-	-	-	-	649	2,482	1,228	4,359
Communications and memberships	1,006	-	-	-	-	-	-	3,167	4,173
Other	-	-	-	-	-	710	7,707	1,447	9,864
Total expenses	\$ 1,894,225	\$ 1,401,366	\$ 1,106,558	\$ 959,935	\$ 143,519	\$ 21,538	\$ 216,322	\$ 108,462	\$ 5,851,925

Certain costs have been allocated among the programs and activities benefited. Salary and benefit costs are allocated based on estimates of time incurred.