

**AVINA AMERICAS, INC.**

**FINANCIAL STATEMENTS**

December 31, 2019 and 2018

AVINA AMERICAS, INC.  
Washington, D.C.

Financial Statements  
December 31, 2019 and 2018

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## 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, 2019 and 2018, 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, 2019 and 2018, 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 Updates 2014-09 – *Revenue from Contracts with Customers (Topic 606)* and 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.



Crowe LLP

Indianapolis, Indiana  
February 21, 2020

AVINA AMERICAS, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 990,638	\$ 1,757,026
Contributions receivable	400,000	625,000
Property and equipment, net of accumulated depreciation of \$14,839 and \$12,964 in 2019 and 2018	<u>2,615</u>	<u>3,190</u>
Total assets	<u>\$ 1,393,253</u>	<u>\$ 2,385,216</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 4,111	\$ 3,886
Accrued expenses	<u>10,604</u>	<u>12,070</u>
Total liabilities	14,715	15,956
Net assets		
Without donor restrictions	366,681	488,452
With donor restrictions (Note 3)	<u>1,011,857</u>	<u>1,880,808</u>
Total net assets	<u>1,378,538</u>	<u>2,369,260</u>
Total liabilities and net assets	<u>\$ 1,393,253</u>	<u>\$ 2,385,216</u>

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See accompanying notes to financial statements.

AVINA AMERICAS, INC.  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2019

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Contributions	\$ 12,062	\$ 2,183,262	\$ 2,195,324
Interest and dividends	7,373	-	7,373
Net assets released from restrictions	<u>3,052,213</u>	<u>(3,052,213)</u>	-
Total revenue	<u>3,071,648</u>	<u>(868,951)</u>	<u>2,202,697</u>
<b>Expenses</b>			
Technology for social change	1,210,544	-	1,210,544
Inclusive recycling	1,006,942	-	1,006,942
Access to water and conservation	399,291	-	399,291
Migration	63,277	-	63,277
Biomes	49,720	-	49,720
Political innovation	37,168	-	37,168
Other	<u>12,226</u>	<u>-</u>	<u>12,226</u>
Total program services	2,779,168	-	2,779,168
Management and general	307,703	-	307,703
Fundraising	<u>106,548</u>	<u>-</u>	<u>106,548</u>
Total expenses	<u>3,193,419</u>	<u>-</u>	<u>3,193,419</u>
<b>Change in net assets</b>	(121,771)	(868,951)	(990,722)
Net assets, beginning of year	<u>488,452</u>	<u>1,880,808</u>	<u>2,369,260</u>
<b>Net assets, end of year</b>	<u>\$ 366,681</u>	<u>\$ 1,011,857</u>	<u>\$ 1,378,538</u>

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See accompanying notes to financial statements.

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

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
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>
<b>Expenses</b>			
Access to water and conservation	1,894,225	-	1,894,225
Migration	1,401,366	-	1,401,366
Technology for social change	1,106,558	-	1,106,558
Inclusive 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>
<b>Change in net assets</b>	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>
<b>Net assets, end of year</b>	<u>\$ 488,452</u>	<u>\$ 1,880,808</u>	<u>\$ 2,369,260</u>

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See accompanying notes to financial statements.

AVINA AMERICAS, INC.  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (990,722)	\$ (4,397,522)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	1,875	1,679
Write-off of uncollectible receivable	-	400,000
Change in assets and liabilities		
Contributions receivable	225,000	921,558
Accounts payable	225	3,886
Accrued expenses	<u>(1,466)</u>	<u>12,070</u>
Net cash used in operating activities	<u>(765,088)</u>	<u>(3,058,329)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(1,300)</u>	<u>(1,471)</u>
Net cash used in investing activities	<u>(1,300)</u>	<u>(1,471)</u>
<b>Net change in cash and cash equivalents</b>	(766,388)	(3,059,800)
Cash and cash equivalents at beginning of year	<u>1,757,026</u>	<u>4,816,826</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 990,638</u>	<u>\$ 1,757,026</u>

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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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018, the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit was \$491,783 and \$1,259,975, respectively.

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**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, 2019 and 2018.

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, 2019 and 2018, 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 with donor stipulations that limit the use of the donated asset as contributions with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. AVINA implemented this guidance for the year ended December 31, 2019 using a full retrospective method of application to contracts. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

In June 2018, the FASB issued ASU 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. AVINA applied the amendments in this ASU for the year ended December 31, 2019 using a retrospective method of application. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

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AVINA AMERICAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2019 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2019. Management has performed their analysis through February 21, 2020, the date the financial statements were available to be issued.

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

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

	<u>2019</u>	<u>2018</u>
Amounts due:		
Within one year	\$ 400,000	\$ 225,000
In one to five years	<u>-</u>	<u>400,000</u>
Total contributions receivable	<u>\$ 400,000</u>	<u>\$ 625,000</u>

As of December 31, 2019 and 2018, AVINA had \$350,000 and \$300,000 of funding that was conditional upon the satisfactory completion of milestones and, therefore, has not been recorded as contribution revenue, respectively.

**NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Inclusive recycling	\$ 537,754	\$ 1,109,489
Technology for social change	261,106	507,958
Access to water and conservation	198,491	178,909
Migration	7,350	35,891
Biomes	7,156	-
Political innovation	-	46,630
Other	<u>-</u>	<u>1,931</u>
Total net assets with donor restrictions	<u>\$ 1,011,857</u>	<u>\$ 1,880,808</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>2019</u>	<u>2018</u>
Technology for social change	\$ 1,331,853	\$ 1,148,424
Inclusive recycling	1,151,061	1,068,356
Access to water and conservation	420,558	2,090,108
Biomes	56,039	-
Political innovation	46,630	156,196
Migration	44,141	1,521,547
Other	<u>1,931</u>	<u>17,515</u>
Total net assets released from restrictions	<u>\$ 3,052,213</u>	<u>\$ 6,002,146</u>

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**NOTE 4 - CONCENTRATION OF REVENUE RISK**

For the year ended December 31, 2019, AVINA received approximately 81% of its total contributions from five contributors and 100% of the contributions receivable was from one contributor.

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.

**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 \$813,439 and \$1,813,975 during 2019 and 2018, respectively. AVINA had no outstanding grants payable to the Fundación as of December 31, 2019 and 2018.

During the years ended December 31, 2019 and 2018, the Fundación did not contribute any funds to AVINA and AVINA had no outstanding contributions receivable from the Fundación as of December 31, 2019 and 2018.

**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, 2019 and 2018 were \$10,956 and \$10,347, 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, 2019 and 2018 is \$362,499 and \$340,520, 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 \$378,781 and \$501,218 as of December 31, 2019 and 2018, respectively.

AVINA also maintains separate cash balances for donor restricted programs, which amounted to \$611,857 and \$1,255,808 as of December 31, 2019 and 2018, respectively. 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.

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AVINA AMERICAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**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, 2019.

	Program Activities							Supporting Activities		Total
	Technology for Social Change	Inclusive Recycling	Water Conservation	Migration	Biomes	Political Innovation	Other	Management and General	Fundraising	
Subgrants	\$ 1,138,968	\$ 990,079	\$ 382,476	\$ 29,169	\$ 49,720	\$ 36,403	\$ -	\$ -	\$ -	\$ 2,626,815
Salary and benefits	70,524	15,489	16,447	26,087	-	-	-	94,068	101,273	323,888
Professional fees and consulting	-	-	-	7,847	-	-	9,726	148,456	-	166,029
Travel	-	-	-	174	-	-	-	33,682	5,275	39,131
Communications and memberships	-	-	-	-	-	-	2,500	9,440	-	11,940
Insurance	-	-	-	-	-	-	-	6,908	-	6,908
Rent and occupancy	-	-	-	-	-	-	-	6,000	-	6,000
Bank fees	1,052	1,374	368	-	-	765	-	1,649	-	5,208
Other	-	-	-	-	-	-	-	7,500	-	7,500
<b>Total expenses</b>	<b>\$ 1,210,544</b>	<b>\$ 1,006,942</b>	<b>\$ 399,291</b>	<b>\$ 63,277</b>	<b>\$ 49,720</b>	<b>\$ 37,168</b>	<b>\$ 12,226</b>	<b>\$ 307,703</b>	<b>\$ 106,548</b>	<b>\$ 3,193,419</b>

The table below presents these functional expenses by their natural classification for the year ended December 31, 2018.

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

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