

**CHILDREN OF PERU FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

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# SATTY, LEVINE & CIACCO, CPAs, P.C.

*Certified Public Accountants & Business Advisors*

Since 1949...People...Relationships...Results.

## INDEPENDENT AUDITORS' REPORT

To the Board of Director of  
Children of Peru Foundation, Inc.

We have audited the accompanying financial statements of Children of Peru Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the 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 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 as of December 31, 2013 and 2012, 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.

A handwritten signature in blue ink that reads "Satty, Levine &amp; Ciacco CPAs PC".

Satty, Levine & Ciacco, CPAs, P.C.  
Jericho, New York  
May 14, 2014

**CHILDREN OF PERU FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 75,039	\$ 48,782
Prepaid expenses	17,950	23,900
<b>TOTAL ASSETS</b>	<u>\$ 92,989</u>	<u>\$ 72,682</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 6,415	\$ 6,415
<b>TOTAL LIABILITIES</b>	<u>6,415</u>	<u>6,415</u>
<b>NET ASSETS:</b>		
Unrestricted	80,965	63,615
Temporarily restricted	5,609	2,652
<b>TOTAL NET ASSETS</b>	<u>86,574</u>	<u>66,267</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 92,989</u>	<u>\$ 72,682</u>

See independent auditors' report and notes to the financial statements.

**CHILDREN OF PERU FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED NET ASSETS</b>		
SUPPORT AND REVENUE:		
Contributions	\$ 77,637	\$ 52,508
Special events (Net of direct costs of \$44,714 and \$46,588, respectively)	80,699	84,903
Interest income	14	7
	<u>158,350</u>	<u>137,418</u>
EXPENSES:		
Program services	130,192	95,300
Management and general	13,460	11,421
	<u>143,652</u>	<u>106,721</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>14,698</u>	<u>30,697</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	<u>5,609</u>	<u>2,652</u>
CHANGE IN RESTRICTED NET ASSETS	<u>5,609</u>	<u>2,652</u>
CHANGE IN NET ASSETS	20,307	33,349
<b>NET ASSETS</b>		
Beginning of year	<u>66,267</u>	<u>32,918</u>
End of year	<u>\$ 86,574</u>	<u>\$ 66,267</u>

See independent auditors' report and notes to the financial statements.

**CHILDREN OF PERU FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL EXPENSES</u>
<b>EXPENSES:</b>			
Professional fees	\$ -	\$ 7,330	\$ 7,330
Bank charges	-	4,924	4,924
Miscellaneous	-	1,206	1,206
Donations	130,192	-	130,192
	<u>130,192</u>	<u>-</u>	<u>130,192</u>
<b>TOTAL EXPENSES</b>	<u>\$ 130,192</u>	<u>\$ 13,460</u>	<u>\$ 143,652</u>

See independent auditors' report and notes to the financial statements.

**CHILDREN OF PERU FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL EXPENSES</u>
<b>EXPENSES:</b>			
Professional fees	\$ -	\$ 6,415	\$ 6,415
Bank charges	-	4,543	4,543
Miscellaneous	-	463	463
Donations	95,300	-	95,300
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	<b>\$ 95,300</b>	<b>\$ 11,421</b>	<b>\$ 106,721</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See independent auditors' report and notes to the financial statements.

**CHILDREN OF PERU FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 20,307	\$ 33,349
<b>Adjustments to reconcile change in net assets to net cash from operating activities:</b>		
<b>(Increase) decrease in:</b>		
Prepaid expenses	5,950	5,350
<b>Increase (decrease) in:</b>		
Accounts payable	-	-
<b>TOTAL ADJUSTMENTS</b>	<u>5,950</u>	<u>5,350</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>26,257</u>	<u>38,699</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	26,257	38,699
<b>CASH AND CASH EQUIVALENTS:</b>		
BEGINNING OF YEAR	<u>48,782</u>	<u>10,083</u>
END OF YEAR	<u>\$ 75,039</u>	<u>\$ 48,782</u>

See independent auditors' report and notes to the financial statements.

**CHILDREN OF PERU FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

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**NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION**

**A. ORGANIZATION**

Children of Peru Foundation, Inc. (the “Organization”) is a not-for-profit organization that is dedicated to building a better future for poor children in Peru. The Organization was established in February 2006, and raises funds to make grants to a select group of non-governmental organizations working in Peru to provide better healthcare and education for poor children. 100% of the contributions received are used in fulfilling the organization's mission of providing better healthcare and education to Peruvian children. The organization works with various not-for-profit organizations in Peru including:

*Medial Mission for Children-* a U.S. based 501(c) 3 charity dedicated to providing free quality surgical and dental services to poor and under-privileged children in various countries throughout the world.

*Samusocial Peru-* a Peruvian not-for-profit organization (linked to French “Samusocial de Paris”) that focuses its intervention on extremely vulnerable populations, through prevention, care, community awareness and network strengthening actions. Its activities are based on Huaycan, a shantytown outside of the capital city of Lima.

*Manos Unidas-* a Peruvian not-for profit organization that operates a school in Cuzco providing quality education (and teacher training programs) for children (and some young adults) with developmental disabilities.

*Ensená Peru-* a Peruvian not-for-profit organization (modeled after “Teach for America”) that selects and trains young Peruvian graduates before sending them as teachers for two years in schools for under-privileged areas of Peru.

**B. BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**C. BASIS OF PRESENTATION**

The accompanying financial statements reflect the accounts and activities of Children of Peru Foundation, Inc. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board authoritative guidance on *Financial Statements of Not-for-Profit Organizations*. Under this guidance, Children of Peru Foundation, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

See independent auditors' report.

**CHILDREN OF PERU FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

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**NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION (continued)**

C. BASIS OF PRESENTATION (continued)

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or 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.”

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Organization had no permanently restricted net assets at December 31, 2013.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. CASH AND CASH EQUIVALENTS

The organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. CONTRIBUTIONS

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board authoritative guidance on *Accounting for Contributions Received and Contributions Made*. In accordance with this guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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. All restricted contributions where the restrictions are met in the same period as received are reported as unrestricted contributions.

See independent auditors' report.

**CHILDREN OF PERU FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. DONATIONS**

Donations are recorded as expenses when they are approved by management of Children of Peru Foundation, Inc.

**D. FUNCTIONAL EXPENSE ALLOCATION**

Costs incurred in providing the various program and support services are summarized on a functional basis in the statement of activities. Accordingly, these costs have been allocated among the services benefited.

**E. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**F. INCOME TAXES**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

**G. RECLASSIFICATIONS**

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

**NOTE 3. CONCENTRATION OF CREDIT RISK**

The Organization maintains all of its cash in high quality financial intuitions. Accounts at the institutions are insured by the Federal Depository Insurance Corporation ("FDIC") as follows: For periods before December 31, 2012; \$250,000 for interest bearing accounts and unlimited for non-interest bearing accounts. For periods on and after December 31, 2012; \$250,000 for all cash accounts. At December 31 2013 and 2012 , the organization has no assets that were in excess of the insured limits.

The Organization's revenues primarily relate to donations.

**NOTE 4. SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions that occurred through May 14, 2014, which is the date the financial statements were issued, for possible disclosure and recognition in the financial statements.

See independent auditors' report.