

NICOLÁS
FUND FOR *Education*

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
AND
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Nicolás Fund for Education
Financial Statements
December 31, 2022 and 2021

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Independent Accountant's Compilation Report

HAGEN, KURTH,

PERMAN & CO., P.S.

Certified
Public
Accountants

Member of



To the Board of Directors
Nicolás Fund for Education

Management is responsible for the accompanying financial statements of Nicolás Fund for Education (a non-profit organization), which comprise the Statements of Financial Position as of December 31, 2022 and 2021 and the related Statements of Activities and Cash Flows, for the years then ended and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagements in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Hagen, Kurth, Perman & Co. P.S.

Seattle, Washington
May 31, 2023

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YEARS OF SERVICE**

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Nicolás Fund for Education
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 388,798	519,087
Investments, at fair value	<u>1,784,906</u>	<u>986,345</u>
Total current assets	<u>2,173,704</u>	<u>1,505,432</u>
Total assets	<u><u>\$ 2,173,704</u></u>	<u><u>1,505,432</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Other liabilities	\$ <u>15</u>	<u>602</u>
Total current liabilities	<u>15</u>	<u>602</u>
Total liabilities	<u>15</u>	<u>602</u>
Net assets:		
Without donor restrictions	403,789	359,230
With donor purpose restrictions	<u>1,769,900</u>	<u>1,145,600</u>
Total net assets	<u>2,173,689</u>	<u>1,504,830</u>
Total liabilities and net assets	<u><u>\$ 2,173,704</u></u>	<u><u>1,505,432</u></u>

See accompanying notes to financial statements and independent accountant's compilation report.

Nicolás Fund for Education
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Purpose Restrictions	Total	Without Donor Restrictions	With Donor Purpose Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 487,544	1,056,964	1,544,508	\$ 256,379	888,500	1,144,879
Gift income	-	-	-	82,110	-	82,110
Investment income (loss), net	(48,910)	-	(48,910)	113	-	113
Net assets released from restriction	432,664	(432,664)	-	71,100	(71,100)	-
Total support and revenue	<u>871,298</u>	<u>624,300</u>	<u>1,495,598</u>	<u>409,702</u>	<u>817,400</u>	<u>1,227,102</u>
Expenses:						
Program activities	784,626	-	784,626	328,439	-	328,439
Administration	17,984	-	17,984	17,529	-	17,529
Resource development	24,129	-	24,129	29,252	-	29,252
Total expenses	<u>826,739</u>	<u>-</u>	<u>826,739</u>	<u>375,220</u>	<u>-</u>	<u>375,220</u>
Change in net assets	44,559	624,300	668,859	34,482	817,400	851,882
Net assets, beginning of year	<u>359,230</u>	<u>1,145,600</u>	<u>1,504,830</u>	<u>324,748</u>	<u>328,200</u>	<u>652,948</u>
Net assets, end of year	<u>\$ 403,789</u>	<u>1,769,900</u>	<u>2,173,689</u>	<u>\$ 359,230</u>	<u>1,145,600</u>	<u>1,504,830</u>

See accompanying notes to financial statements and independent accountant's compilation report.

Nicolás Fund for Education
 Statements of Cash Flow
 Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from donors	\$ 1,544,508	1,144,879
Cash received from interest and dividends	45,847	14,524
Cash paid to supported organization	(784,626)	(328,439)
Cash paid to vendors and suppliers	(42,700)	(49,361)
Net cash provided by operating activities	763,029	781,603
Cash flows from investing activities:		
Purchase of investments	(2,196,712)	(722,173)
Proceeds from sale of investments	1,303,394	182,215
Net cash used in investing activities	(893,318)	(539,958)
Net increase (decrease) in cash	(130,289)	241,645
Cash at beginning of year	519,087	277,442
Cash at end of year	\$ 388,798	519,087

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During 2021, investments with a fair value totaling \$82,110 were donated to the Fund.

See accompanying notes to financial statements and independent accountant's compilation report.

Nicolás Fund for Education
Notes to Financial Statements
December 31, 2022 and 2021

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

a. Nature of fund

Nicolás Fund for Education (the Fund) was formed in 2012. The Fund's mission is empowering Mayan youth in the Ixil region of Guatemala to break the generational cycle of poverty through Christ-centered education. In 2016, the Fund began working with a Guatemalan non-profit entity called Asociación Fondo Nicolás para la Educación (FNE), which runs Nicolás Christian School, a Christian junior and senior high school. Nicolás Christian School has over 135 students in middle school and high school. FNE also supports various other educational programs in Guatemala. FNE was fully funded by the Fund for the years ended December 31, 2022 and 2021.

b. Basis of accounting

The accompanying financial statements of the Fund have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (GAAP). GAAP requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Accordingly, the Fund's net assets and changes therein are classified and reported as follows:

- Without donor restrictions – net assets that are not subject to donor-imposed restrictions, the donor restrictions have expired or been satisfied by actions of the Fund.
- With donor restrictions – net assets that are subject to time or purpose restrictions, donor restricted endowments and trusts held by third parties.

Revenue is reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Donor restricted contributions received in the same year in which the restrictions are met are recorded as an increase to donor restricted support at the time of receipt. Upon fulfillment or expiration of donor restrictions, or when the donor restricted assets are placed in service, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as release from restrictions in the Statements of Activities.

c. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(Continued)

Nicolás Fund for Education
Notes to Financial Statements, Continued

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, (Continued)

d. Contributions

The Fund recognizes contributions as revenue when they are received and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions.

e. Cash

The Fund maintains its cash in bank deposit accounts at one financial institution, which at times may exceed federally insured limits of \$250,000. The Fund believes it is not exposed to any significant credit risk on cash.

f. Investments

The Fund's investments include money market funds, fixed income investments, and exchange traded funds. Investments are recorded at their fair value (see note 2). Stock gifts received from donors are recorded as gift income at the fair value of the stock gifts on the date of donation. Gains and losses and investment income derived from investments are accounted for as with or without donor restrictions based on restrictions, if any, in the Statements of Activities.

The fair values were evaluated by the Fund to determine if the values should be adjusted. Factors considered included, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar entities, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Valuations are reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies. The Fund has determined there was no impairment of investments as of December 31, 2022 and 2021.

Reported fair value is based on quoted market price, net asset value reported by fund managers or a market approach method which derives fair value by reference to observable valuation measures for comparable companies or assets such as performance metrics. Net appreciation or depreciation in investments, including realized gains or losses and unrealized appreciation or depreciation on those investments, as well as all dividends, interest, and other investment income, is reported in the Statements of Activities.

In 2022, due to global central bank tightening, the fair value of the Fund's fixed income investments and exchange traded funds decreased. The mark-to-market adjustments are unrealized. The Fund has the intent and ability to hold these investments to maturity. The fair value adjustment is not indicative of the securities' total return and excludes interest income earned on the investments.

(Continued)

Nicolás Fund for Education
Notes to Financial Statements, Continued

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, (Continued)

g. Income taxes

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. Income from activities not directly related to the Fund's tax-exempt purpose is subject to taxation as unrelated business income. The Fund reported no taxable unrelated business income from the years ended December 31, 2022 or 2021.

The Fund's status as an exempt organization is defined as an income tax position. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Fund in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Fund has any material uncertain tax positions at December 31, 2022 and 2021. Accordingly, no provision or liability for income taxes has been recorded in the financial statements. In addition, the Fund has no income tax-related penalties or interest for the periods reported in these financial statements. In the event that interest, and penalties were due relating to an unsustainable tax position, they would be treated as a component of income tax expense.

h. Reclassifications

Certain 2021 balances have been reclassified to conform with current year presentation with effect on change in assets.

i. Date of management's review

Subsequent events have been evaluated through May 31, 2023, which is the date the financial statements were available to be issued.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access at the measurement date.

(Continued)

Nicolás Fund for Education
Notes to Financial Statements, Continued

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS, (Continued)

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs that are unobservable inputs for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Money market fund: Valued at cost plus accrued interest which approximates fair value.

Fixed income: Valued at the closing price reported in the active market in which the individual security is traded.

Exchange traded funds: Valued at the daily closing price as reported by the fund. Exchange traded funds held by the Fund are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Fund are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Fund's assets at fair value:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 120,001	-	-	120,001
Fixed income	621,272	-	-	621,272
Exchange traded funds	1,043,633	-	-	1,043,633
Total investments at fair value	<u>\$ 1,784,906</u>	<u>-</u>	<u>-</u>	<u>1,784,906</u>

(Continued)

Nicolás Fund for Education
Notes to Financial Statements, Continued

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS, (Continued)

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 100,000	-	-	100,000
Exchange traded funds	886,345	-	-	886,345
Total investments at fair value	\$ <u>986,345</u>	<u>-</u>	<u>-</u>	<u>986,345</u>

As of December 31, 2022, and 2021, the Fund had unrealized losses totaling \$94,757 and \$14,446, respectively, recorded in investment income (loss), net on the Statements of Activities.

3. LIQUIDITY

The Fund is substantially supported by donations. These donations can contain time or purpose restrictions which make certain financial assets unavailable for general expenditures within one year. The Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Fund's financial assets available to meet cash needs for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position as of December 31 include:

	2022	2021
Cash	\$ 388,798	519,087
Investments, at fair value	1,784,906	986,345
Less those not available for general expenditure:		
Donor purpose restricted	(1,769,900)	(1,145,600)
Available financial assets	\$ <u>403,804</u>	<u>359,832</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following programmatic uses as of December 31:

	2022	2021
Purpose restricted net assets:		
New School Construction Fund	\$ 1,208,200	1,053,700
San Nicolas Educational Support Fund	516,200	35,200
Ten Talents Fund	30,400	29,400
Book Drive Fund	2,200	10,300
Early Learning Program Fund	-	5,700
COVID and Food Relief Fund	1,900	4,600
Disaster Relief	5,000	-
Other restricted funds	6,000	6,700
Total net assets with donor restrictions	\$ <u>1,769,900</u>	<u>1,145,600</u>

(Continued)

Nicolás Fund for Education
Notes to Financial Statements, Continued

4. NET ASSETS WITH DONOR RESTRICTIONS, (Continued)

The New School Construction Fund has a current goal of \$1,500,000 for Phase I of the school. The Fund's projections are to have Phase I completed within 2024. The Fund has raised over \$1,554,000 in donations towards the New School Phase I which have been matched by \$500,000.

The San Nicolas Educational Support Fund helps fund the education and tutoring in the San Nicolas village, including early childhood education and adult literacy programs, over a 10 year period.

The Ten Talents Fund assists graduates with tuition for post high school education. Each participant voluntarily gives back time to the school and their communities in some manner.

The Book Drive Fund is for creating many libraries and providing Remote Area Community Hotspots for Education and Learning (RACHEL) devices, a portable, battery-powered device that contains copies of educational websites.

The Early Learning Program Fund supported preschool education.

The COVID and Food Relief Fund was used in 2021 to help with delivery of food to remote villages, help support the tablet program for student learning and fund transportation costs for the students. It continues to support food and other COVID-related needs.

The Disaster Relief Fund provides for future hurricane and flood relief for the school villages.

Other restricted funds include a benevolence fund for emergencies, a teacher training program to improve educational processes and funding for a seed planting program.

Nicolás Fund for Education
Notes to Financial Statements, Continued

5. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The following tables present the functional allocation of expenses for the years ended December 31, 2022 and 2021:

Year Ended December 31, 2022					
		Program activities	Administration	Resource development	Total
Grants and assistance	\$	784,626	-	-	784,626
Accounting		-	5,695	-	5,695
Professional fundraising services		-	-	1,750	1,750
Other fees for service		-	9,313	3,900	13,213
Advertising		-	-	288	288
Office		-	-	5,808	5,808
Information technology		-	-	8,630	8,630
Travel		-	-	803	803
Insurance		-	1,044	-	1,044
Bank fees		-	1,932	2,950	4,882
	\$	784,626	17,984	24,129	826,739

Year Ended December 31, 2021					
		Program activities	Administration	Resource development	Total
Grants and assistance	\$	328,439	-	-	328,439
Accounting		-	7,150	-	7,150
Professional fundraising services		-	-	2,000	2,000
Other fees for service		-	8,580	4,225	12,805
Advertising		-	-	228	228
Office		-	-	7,351	7,351
Information technology		-	-	11,407	11,407
Travel		-	-	543	543
Insurance		-	1,014	-	1,014
Bank fees		-	785	3,498	4,283
	\$	328,439	17,529	29,252	375,220

(Continued)

Nicolás Fund for Education
Notes to Financial Statements, Continued

6. CONTRIBUTED SERVICES

During the years ended December 31, 2022 and 2021, the Fund received approximately 7,200 and 6,700 volunteer hours, including professional services, respectively, with an estimated value of approximately \$275,000 and \$255,000, respectively. These hours were used in developing curriculum and programs for the students, acquiring donations for support and processing administrative functions of the Fund.

7. CONCENTRATIONS

The Fund receives support from a variety of sources including foundation contributions and individual contributions.

During the year ended December 31, 2022, approximately \$981,600 (representing 64% of the Fund's total support and revenue) was received from a charitable foundation.

During the year ended December 31, 2021, approximately \$627,000 (representing 51% of the Fund's total support and revenue) was received from a charitable foundation and two individuals.

The donations made through all charitable foundations represented 29 donors in 2022 and 24 donors in 2021. Donations made through the above-mentioned foundation represented 9 donors in 2022 and 8 donors in 2021. In 2022, one of those donors represented 53% of the Fund's total support and revenue. In 2021, one of those donors represented 12% of the Fund's total support and revenue.