



## **FINANCIAL REPORT**

**ESPERANZA INTERNATIONAL, INC.**

**DECEMBER 31, 2009**



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### **INDEPENDENT ACCOUNTANT'S REPORT**

Board of Directors  
Esperanza International, Inc.  
Chula Vista, California

We have compiled the accompanying statement of financial position of Esperanza International, Inc. as of December 31, 2009, and the related statements of activities, cash flows for the year then ended, and the 2008 summarized financial information in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary information, and accordingly, do not express an opinion or any other form of assurance on them.

Christopher M. Roberts, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
June 7, 2010

**ESPERANZA INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**Year Ended December 31, 2009**  
**See Accountant's Report**  
**(With Summarized Financial Information for December 31, 2008)**

	2009	2008 (Note 10)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 127,598	\$ 91,465
Accounts Receivable	-	3,360
Investments (Note 2)	14,036	11,603
Equipment net of accumulated depreciation (Note 1)	604	-
Total assets	\$ 142,238	\$ 106,428
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 15,531	\$ 197
Deposit reserve (Note 3)	19,120	10,000
Total liabilities	34,651	10,197
Net Assets:		
Unrestricted		
Board designated reserves (Note 4)	50,000	50,000
Undesignated reserves	7,827	5,347
	57,827	55,347
Temporarily restricted (Note 5)	39,760	30,884
Permanently restricted (Note 6)	10,000	10,000
Total net assets	107,587	96,231
Total liabilities and net assets	\$ 142,238	\$ 106,428

**ESPERANZA INTERNATIONAL, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2009**

**See Accountant's Report**

**(With Summarized Financial Information for December 31, 2008)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008 (Note 10)
<b>REVENUES AND OTHER SUPPORT</b>					
Volunteer building program	\$ 197,448	\$ -	\$ -	\$ 197,448	\$ 402,405
Reimbursement income	35,020	-	-	35,020	34,320
Contributions	19,627	77,567	-	97,194	75,667
Investment income	2,873	-	-	2,873	(2,609)
Special event income	-	-	-	-	-
Other Income	-	-	-	-	-
Net assets released from restrictions due to satisfaction of program restrictions (Note 7)	68,691	(68,691)	-	-	-
Total revenues and other support	323,659	8,876	-	332,535	509,783
<b>EXPENSES</b>					
Programs:					
Volunteer building program	309,517	-	-	309,517	489,619
Grants and consulting	-	-	-	-	5,500
Tijuana Medical Clinic	-	-	-	-	1,065
Total program expenses	309,517	-	-	309,517	496,184
Supporting services:					
Management and general	7,187	-	-	7,187	22,948
Fundraising	4,475	-	-	4,475	4,454
Total expenses	321,179	-	-	321,179	523,586
<b>CHANGE IN NET ASSETS</b>	2,480	8,876	-	11,356	(13,803)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	55,347	30,884	10,000	96,231	110,034
<b>NET ASSETS AT END OF YEAR</b>	\$ 57,827	\$ 39,760	\$ 10,000	\$ 107,587	\$ 96,231

**ESPERANZA INTERNATIONAL, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2009**

**See Accountant's Report**

**(With Summarized Financial Information for December 31, 2008)**

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	<u>2009</u>	<u>2008</u> (Note 10)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,356	\$ (13,803)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	86	-
Unrealized gain on investments	(2,433)	3,677
Increase (decrease) in operating assets:		
Receivables and other assets	3,360	(3,360)
Decrease (increase) in operating liabilities:		
Accounts payable and accrued liabilities	15,334	135
Deposit reserve	9,120	10,000
Net cash provided by (used in) operating activities	<u>36,823</u>	<u>(3,351)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of investments	<u>(690)</u>	-
Net cash (used in) investing activities	<u>(690)</u>	-
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	36,133	(3,351)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>91,465</u>	<u>94,816</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 127,598</u>	<u>\$ 91,465</u>

**ESPERANZA INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Organization** – Esperanza International, Inc. (the Organization) is a California not-for-profit corporation that provides housing, health, and economic development assistance to very low-income families and workers in Tijuana, Mexico and San Diego County.

**Method of Accounting** – The financial statements have been prepared utilizing the accrual basis of accounting.

**Financial Statement Presentation** – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Contributions** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received which are temporarily restricted as to their use, are reported as temporarily restricted support, and are then reclassified to unrestricted net assets upon fulfillment of the restriction.

**Donated Services** – The value of donated services is not reflected in the accompanying financial statements because no objective basis is available to measure their value. However, a substantial number of volunteers have donated significant amounts of time in the Organization's program activities.

**Investments at Community Foundation** – The Organization invests funds at a community foundation that require the Organization to grant variance power to the community foundation. The Organization controls the funds through an Advisory Committee.

**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 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.

**Cash and Cash Equivalents** – Esperanza International Inc. considers all unrestricted cash accounts that are not subject to withdrawal restrictions or penalties, with initial maturity of three months or less, to be cash equivalents.

**Equipment** – Equipment is recorded at cost for purchased property. Equipment is being depreciated over estimated useful lives of five years using a straight-line method. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any gain or loss arising from such dispositions is included as income or expense.

**NOTE 2. INVESTMENTS**

Investments of \$14,036, at December 31, 2009 consist of investments at a community foundation.

**NOTE 3. DEPOSIT RESERVE**

Notwithstanding the good safety record of volunteer groups organized by Esperanza International, Inc. performing service projects in Tijuana, the negative publicity in 2009 relative to security along the Mexican/U.S. border and the H1N1 flu situation in Baja California caused a number of groups to cancel their scheduled trips and request refunds. In response to this situation, Esperanza International developed a refund policy which set forth the guidelines under which a volunteer group could cancel a trip and be entitled to a refund of certain reservation payments as well as set up a reserve account so that all potential refund payments in the future could be paid from such reserve account.

**ESPERANZA INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4. BOARD DESIGNATED RESERVES**

The Board of Directors designated \$50,000 as an operating reserve.

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent contributions received that are limited in use by donor-imposed stipulations. Temporarily restricted net assets are available for the following purposes:

Posada	\$ 19,770
FEM	18,465
Tijuana Medical Clinic	<u>1,525</u>
	<u>\$ 39,760</u>

**NOTE 6. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are assets received with a donor-imposed restriction that the resources be maintained permanently, but permit the Organization to expend the income derived from the assets. Permanently restricted net assets of \$10,000 are restricted for perpetuity and the income is available for operations of the Organization.

**NOTE 7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions during the year ended December 31, 2009 by incurring expenses satisfying the restricted purposes for the following programs:

FEM	\$ 57,720
Posada	9,748
EI Marketing	<u>1,223</u>
	<u>\$ 68,691</u>

**NOTE 8. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 9. INCOME TAX STATUS**

Esperanza International, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

**NOTE 10. DECEMBER 31, 2008 FINANCIAL INFORMATION**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.