

ONG NIÑOS DE GUATEMALA

AUDIT REPORT

**Period ended
December 31, 2014**

ONG NIÑOS DE GUATEMALA
Report on the Institutional Audit
As of December 31, 2014

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ONG NIÑOS DE GUATEMALA
Report on the Institutional Audit
As of December 31, 2014

1. BACKGROUND

- a) **Legal name:** ONG NIÑOS DE GUATEMALA
- b) **Constitution:** On August 10, 2007, as per legal deed number 83 issued by the lawyer José Luis González.
- c) **Kind of entity:** Constituted as a Civil Association, a private, not profit, do not representing any political party, entity for the social, cultural and educational development of the children and the youth in Guatemala, created under the concept of a non-governmental organization.
- d) **Legal representative:** In February 25, 2014 was issued the legal act to appoint Mrs. Diwy Tomassen the president and legal representative legal.
- e) **Address and headquarters:** At the Department of Sacatepéquez, with headquarters at the town of Antigua Guatemala.
- f) **Tax period and term of constitution:** From January 01 through December 31 of each year and it was constituted by an undefined term.
- g) **Object:** To promote and develop actions to the poor children in order to enhance their quality of life meeting other basic needs of education, home, food, health and environment.
- h) **Purposes:**
- ✓ The creation, functioning and trading, leasing, and functioning, obtaining through any legal way, schools for the educational strengthening of the pre-primary, primary, secondary and diversified or vocational grades and other courses regarding the educational area.

- ✓ The creation and functioning of learning and teaching centers for technical, cultural, artistic, cultural and scientific areas.
- ✓ The creation and functioning of vocational workshops.
- ✓ The functioning of academies for typing, computer, internet (including any other electronic communication media)
- ✓ To create day-care centers for children.
- ✓ To promote the psychological, medical and food assistance to the children and youth taking part of the educational programs and the vocational workshops.
- ✓ To manage the acquisition of resources and national and international financing methods to fulfill its objectives and goals.
- ✓ To support the community in the social, educational, health and environment areas.
- ✓ Any other related or similar to the above mentioned matters, to benefit the associates and the community, benefitting the accomplishment of the objectives of the Association.

1.2 Integration of the Board of Directors:

Name	Position
María del Carmen Paniagua Meza de García	President and legal representative
Annemiek Dresen	Vice-president
Jorge Alberto Rosales Diéguez	Secretary
Sander Jori Wirken	Treasurer
Carlos Rodolfo García Vásquez	Vocal

According to the entry No. 313, page 313 of the book 7 of appointments, some changes were made to the Board of Directors for a term of eleven months, from February 25 through December 04, 2015.

Name

Position

Diwy Tomassen	President and legal representative
Maribel Duarte Arcón	Vice-president
María del Carmen Paniagua Meza	Secretary
Sander Jori Wirken	Treasurer
Jorge Alberto Rosales Diéguez	Vocal



OPINION OF THE INDEPENDENT PUBLIC ACCOUNTANT

Messrs.
Board of Directors
ONG NIÑOS DE GUATEMALA
Sacatepéquez, Antigua Guatemala

We have audited the attached financial statements of the ONG Niños de Guatemala, for the period ended December 31, 2014, corresponding to the statements of assets and liabilities, statement of income and disbursements and cash flows, for the year then ended, as well as the summary on the significant accounting policies and explanatory notes

Responsibility of the administration on the financial statements

The Administration of Ong Niños de Guatemala is the responsible for the preparation and presentation of the financial statements and the supplementary information, as well as for the establishment of the necessary policies and procedures in order that amounts shown in this report are free of any material misstatement, both by fraud or error.

Responsibility of the auditor

Our responsibility is to express and opinion on the financial statements based on our audit, which was conducted according to the International Auditing Standards. Those standards require that we fulfill ethical requirements and that we plan and perform the audit to obtain fairly assurance about whether the financial statements are free of material misstatements.

An audit implies the development of some procedures to obtain enough and competent evidence about the amounts and disclosures presented in the financial statements. The procedures chosen will depend on the auditor's judgment, including the risk assessment of a significant misstatement on the presentation of the financial statements, both by fraud or error. Doing this assessment, the auditor considers the internal control is relevant for the fairly preparation and presentation of the financial statements, with the purpose to design and the appropriate auditing procedures under the circumstances; but not to express an opinion on the effectiveness of the entity's internal control. An audit also includes the assessment on the effectiveness of the accounting policies and the fairness of the accounting estimations made by the administration, as well as an overall assessment on the presentation of the financial statements.

We believe that the evidence obtained is enough and appropriate to provide a sustainable basis for our opinion.

Basis of the qualified opinion

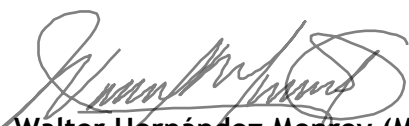
- (a) Equity in the amount of Q. 215,146.00 are not integrated, consequently we do not know its origin.
- (b) The total fixed assets available for the use of the Association are not integrated, nor are recorded in the financial statements.

Opinion

In our opinion, except for what it is mentioned in the above paragraphs, the accompanying financial statements, fairly present, in all material respects, the financial position of the entity, the statements of assets and liabilities, the income and disbursements and the cash flows, for the year ended December 31, 2014, as well as the basis of accounting used by the entity.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we call your attention to Note 1.1 of the financial statements, which describes the basis of accounting used by the Ong Niños de Guatemala, consequently, the financial statements may be not be adequate to be used with another purpose. Distribution and use of this document remains upon discretion of the ONG Niños de Guatemala and its supporting donor agencies.



Lic. Walter Hernández Monroy (Ms)
Certified Public Accountant
Register No.CPA-3,783

Guatemala, April 30, 2015

ONG NIÑOS DE GUATEMALA

STATEMENT OF INCOME AND DISBURSEMENTS

From January 01 thorough December 31,2014

(Amounts in Quetzals)

	Annex	Note	Page	
INCOME		(1.1)	(10)	
NL grants program		(8.1)	(15)	1,166,508
Padrigo program		(8.2)	(16)	1,182,315
GT grants		(8.3)	(16)	1,136,711
Other income		(8.4)	(17)	102,240
Total income		(8)	(15)	3,587,774
DISBURSEMENTS		(1.1)	(10)	
Salaries and benefits				1,497,206
Office expenses				461,241
Infrastructure				846,955
Transportation				13,048
Training and development				26,521
Food and health				341,797
Educational materials				425,716
Promotional expenses				6,349
Financial expenses				67,793
Total disbursements	(A)			3,686,626
Exceeding of income over disbursements				-98,852

(See notes to the financial statements)

ONG NIÑOS DE GUATEMALA

STATEMENT OF INCOME AND DISBURSEMENTS

From January 01 through
December 31, 2014

(Amounts in Quetzals)

	Annex	Note	Page	
INCOME		(1.1)	(10)	
NL grants program		(8.1)	(15)	1,166,508
Sponsoring program		(8.2)	(16)	1,182,315
GT grants		(8.3)	(16)	1,136,711
Other income		(8.4)	(17)	102,240
Total income		(8)	(15)	<u>3,587,774</u>
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Exceeding of income over disbursements				<u><u>-98,852</u></u>

(See notes to the financial statements)

ONG NIÑOS DE GUATEMALA

STATEMENT OF CASH FLOWS

As of December 31, 2014

(Amounts in Quetzals)

CASH FLOWS FOR OPERATING ACTIVITIES

	Cash received by grants	4,217,413
	Cash paid to suppliers and employees	<u>-3,734,233</u>
	Net cash obtained for operating activities	<u><u>483,180</u></u>
	Net increase to cash	483,180
(+)	Initial cash balance	<u>311,661</u>
	Final cash balance	<u><u>794,841</u></u>

RECONCILIATION BETWEEN THE NET RESULT AND THE CASH FLOW

	Net result (deficit) surplus	- 98,852
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ADJUSTMENTS TO RECONCILE THE NET RESULT WITH THE NET CASH USED IN OPERATIONS:

	Net adjustment to entries of the balance sheet affecting the cash	585,970
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NET CHANGES IN ASSETS AND LIABILITIES

	Net increase in accounts receivable	(8,209)
	Net increase in accounts payable	<u>4,271</u>

	Net cash flow for operating activities	<u><u>483,180</u></u>
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ONG NIÑOS DE GUATEMALA
Report on the institutional audit
NOTES TO THE FINANCIAL STATEMENTS
Al 31 de diciembre 2014

1. ACCOUNTING POLICIES

1.1 Method to recognize income and disbursements

ONG Niños de Guatemala prepares its financial statements under the basis of the earned method, in this method the income are recognized and recorded when they are earned, and disbursements when they are incurred. This registration procedure is a comprehensive and acceptable one.

Notwithstanding, in recording income there are some cases in which the amount to execute projected by the Netherlands is higher than the amount received in Guatemala, and it is due to two causes; one is due to that the exchange difference, and the other is due that The Netherlands disburses some expenses directly in that country and they reduces such value from the transfer send to the ONG Niños de Guatemala. However, these expenses are included in the quarterly budget presented. Consequently, and due to the above mentioned matters, there are some differences between the received and the budgeted in the period 2014.

2. MONETARY UNIT

The financial statements are stated in Quetzals, the official currency of the Republic of Guatemala. The bank of Guatemala periodically issues the reference Exchange rate to be used by the banking system; as of December 31, 2014 the Exchange rate was of Q.7.59675 per US\$ 1 dollar of the United States of North America.

3. LABOR OBLIGATIONS

According to the laws currently in force, the ONG Niños de Guatemala is obliged to pay its personnel the following:

3.1 Christmas Bonus

According to Decree 76-78 of the Congress of the Republic of Guatemala, all employers are obliged to pay their employees as a Christmas Bonus, the equivalent of an ordinary monthly salary, for each year of continuous work or the corresponding proportional part. It must be paid 50% the first half of the month of December and the remaining 50% during the second half of the month of January of the following year.

ONG Niños de Guatemala follows the policy to pay the 100% of this bonus during the month of December each year. Entity does not provisions such a benefit, consequently, it is recorded in its accounting records as a direct expense the moment such payment is made.

3.2 Indemnity payment

According to Article 82 of the Code of Work, Decree 1441, item 9 of the Christmas Bonus Regulatory Law, Decree 76-78 and the Article 4 of the Annual Bonus Law to be paid to all employees working for both the private and public sectors. Decree 42-92; indemnity payment must be computed using as a basis an average of the salaries paid during the last 6 months, adding the twelfth part of the Christmas Bonus and the 14 Bonus, such computation applies for each year worked. The employer is only obliged to pay for this concept in the case of an unfair dismissal.

ONG Niños de Guatemala pays this fringe benefit according to the above mentioned. Does not provision this benefit; consequently, it is recorded like a direct expense at the moment the payment is made.

3.3 14 Bonus

Decree 42-92 of the Congress of the Republic of Guatemala, establishes like a fringe benefit obliged to all employers, the payment to their workers of an annual bonus, equivalent to an ordinary monthly salary, such payment is independent and additional to the Christmas Bonus.

ONG Niños de Guatemala pays this benefit according to the above mentioned, by means of a single payment during the month of July. It does not provisions such benefit; consequently, it is recorded like direct expense the moment the payment is made

3.4 Vacations

According to Decree 14-41 of the Code of Work, issued by the Republic of Guatemala, Article 130, each employee has the right to enjoy a minimum period of 15 days of vacations after a year of continuous work for the same employer; such a period should be effective during the sixty days following a year of continuous service.

Entity follows the institutional policy to grant its employees 15 days of vacations, or the proportional days in the event the employee has been worked for it less than a year. This benefit is granted according to the Code of Work, as it is stated in the preceding paragraph; or, according to an agreement between the employee and the entity.

3.5 Incentive Bonus

Decree No.78-89 modified by the No.37-2001 issued by the Congress of the Republic of Guatemala, establishes the obligation to all employers at the private sector, no matter which activity they develop, to pay their employees an incentive bonus equivalent to the amount Q.250.00 paid monthly. Entity fulfills this requirement.

3.6 Guatemalan Institute for Social Security (IGSS)

Agreements numbers 1118 and 1123 issued by the Board of Directors of the Guatemalan Institute of Social Security (IGSS), in use of its powers awarded by Article 183, item e) of the Political Constitution of the Republic of Guatemala, and the Article 19, item a) of the Organic Law of the IGSS, state that each employer, individual or legal entity, employing three or more employees, is obliged to be enrolled before the Social Security Regime and also to discount their employees from their total salary, the percentages corresponding to the employees contribution, as well as to pay its employer's contribution as follows:

Description	%
Employer's contribution (paid monthly by the employer)	10.67
Employee's labor contribution (discounted monthly to employees)	<u>4.83</u>
Total	<u>15.50</u>

Entity is dully enrolled before the IGSS and discounts its employees working under dependency, the corresponding amounts and pays the employer's contribution also.

3.7 INTECAP

The Technical Institute for Training and Productivity (INTECAP) was created by means of Decree No. 17-72 issued by the Congress of the Republic of Guatemala, with the purpose to strengthen the training and productivity of the human resources for all of the economic activities, providing different programs for the development of the workers, in accordance with the Article 6 of the above mentioned Decree.

This benefit granted to the workers is not mandatory for the employer, it is optional, the payment is computed based on the employee's salary and the way to pay it is adding 1% to the employer's contribution to the IGSS.

ONG Niños de Guatemala does not grant such benefit to its employees.

3.8 IRTRA

The Institute for the Recreation of Workers (IRTRA) was created by means of Decree 1528 issued by the Congress of the Republic of Guatemala, with the purpose to organize the recreation and leisure activities of the workers, in order they integrally develop their personality and they better handle their free time.

This benefit granted to the workers is not mandatory for the employer, it is optional, the payment is computed based on the employee's salary and the way to pay it is adding 1% to the employer's contribution to the IGSS.

ONG Niños de Guatemala does not grant such benefit to its employees.

4. CASH AND BANKS

Balances in this account as of December 31, 2014 are integrated as follows: (Amounts in Quetzals)

Name of the account	Account No.	Amount
Petty cash		
FDD fund		4,000
Nuestro Futuro Fund		3,000
Fondo El Porvenir		3,000
ONG Niños de Guatemala Fund		3,000
Basic Level fund		1,000
Sub-Total		14,000
Banco Industrial, S.A.		
ONG Main account (monetary deposits)	016-003233-4	717,981
Nuestro Futuro School (Monetary deposits)	016-004629-2	27,289
El porvenir School (monetary deposits)	016-005329-8	26,250
Institutional Savings account	27544-1	8,321
Basic Institute (monetary deposits)	016-008927-2	1,000
Sub-Total		780,841
TOTAL		794,841

The bank balances are available, and entity has not any restriction to use them for the execution of its projects and the development of its operating activities.

Joint signatures are required for the checks issued by the entity, and the persons authorized to sign them, are the following:

<u>Name</u>	<u>Position</u>
María del Carmen Paniagua Meza	Coordinator of projects
Maribel Duarte Arcón	General Administrative Director

5. ACCOUNTS RECEIVABLE

Balances as of December 31, 2014 are integrated as follows: (Amounts in Quetzals)

Description	Amount
Advances outstanding Settlement	10,000
Advances to Employees	4,375
Total	14,375

6. ACCOUNTS PAYABLE

Balances as of December 31, 2014 are integrated as follows: (Amounts in Quetzals)

Description	Amount
Income not received (a)	585,971
IGSS Labor contribution	5,427
Income tax withholdings	2,672
Total	594,070

- (a) It corresponds to the transfers received from the donor NDGNL (Netherlands), which have not been authorized yet to apply them to the budget. That is the reason why the moment they are received at the Guatemalan bank accounts they are recorded like accounts payable and subsequently they are regularized by the applications duly approved.

7. EQUITY

The balance in this account as of December 31, 2014, is the following: (Amounts in Quetzals)

Description	Amount
Social equity (a)	186,565
Accrued surplus (b)	28,581
Total	215,146

(a) It corresponds to the bank balances available as of December 31, 2011, consequently, such balance at the date of our review is not real.

(b) It corresponds to prior years balances; such balance is not integrated, consequently we do not know its origin.

8. INCOME

ONG Niños de Guatemala receives funds from different sources, such are the following: (Amounts in Quetzals)

Description	Amount
NL grants program	1,166,508
Sponsorchio program	1,182,315
GT grant	1,136,711
Other income	102,240
Total	3,587,774

8.1 NDGNL- Netherlands

Entity has not signed a cooperation agreement with NDGNL - Netherlands; however, contributions received from this donor are used to cover the needs of the Association, especially for the educational centers. During the period subject to our review entity received transfers in the amount of Q. 1,166,508.00, following is a detail of them: (Amounts in Quetzals)

Date	Amount
January 31, 2014	36,666.67
February 28, 2014	36,666.67
March 31, 2014	36,666.67
April 30, 2014	76,666.67
May 31, 2014	76,666.67
June 30, 2014	76,666.67
July 31, 2014	95,833.33
August 31, 2014	95,833.33
September 30, 2014	95,833.33
October 31, 2014	178,677.69
November 30, 2014	278,664.00
November 30, 2014	40,833.00
December 31, 2014	40,834.00
TOTAL	1,166,508.70

8.2 Sponsorship program

These are contributions received from foreign people identified with the purposes of the Association, sponsoring children in Guatemala, the sponsors are from the Netherlands and the United States of America. During the period subject to our review the transfers received in this concept were amounted to Q. 1,182,315.00. It is important to mention that there is not a contract or agreement signed with each one of the sponsors.

8.3 GT grants

Such grants are managed by Dutch personnel, working in Guatemala. Those grants are not managed in accordance with the process to request budget approval. It is important to mention that there is not an agreement or a cooperation agreement to support such income. During the period subject to our review entity received the amount of Q. 1,136,711, distributed as follows: (amounts in Quetzals quetzals)

Description	Amount
Volunteers and general grant	806,373.36
Project BFB	271,725.10
Big and Small Events	56,397.73
ON line Campaigns	2,214.90
TOTAL	1,136,711.09

8.4 Other income

This account is to record income derived from voluntary contributions of the parents whose children assist the schools; contributions derived from activities or events developed by the Association, or grants from people identified with the entity's purposes. During the period subject to our review the income received in this concept amounted to Q. 102,240.00, distributed as follows: (Amounts in Quetzals)

Description	Amount
Activities or event	54,683
Activities in School	88,052
Other Income	- 40,495
Total	102,240

9. TAX AREA

ONG Niños de Guatemala is enrolled before the Tax Administration Superintendency (SAT); under the Tax Identification Number (NIT) 5913775-4. The SAT issued resolution No. SAT-GRC-DRG-OTG-ATGP-ART R-2011-03-01-000807 for the ONG Niños de Guatemala, regarding its exemption of taxes, stating the following:

- a) It declares proceeding the exemption to the Added Tax, for grants and contributions received, for the payments for the right to be members and the periodically installments received for the social and educational services rendered, whenever its purpose is not profitable.
- a) It declares proceeding the exemption to the Income Tax for income received from grants or ordinary or extraordinary installments.
- b) It declares proceeding the exemption to the Solidarity Tax, due that entity is a non-profit organization.
- c) It declares proceeding the exemption to the Fiscal Stamps and Stamped Paper Tax for the use of Protocols, for the documentation containing taxable acts or agreements.

However, ONG Niños de Guatemala must comply with the following tax dispositions:

Description		Meets	Fail
✓	To be enrolled before the Tax Administration superintendency (SA)	X	
✓	Deliver the annual income tax return during the 90 calendar days after the accounting closing date	X	
✓	Deliver Monthly VAT return. During the following month of the month due of each taxable period.	X	
✓	Carry out t accounting books duly authorized by the Tax Administration superintendency /SAT).	X	
✓	Withhold the 5% and 7% of income tax of invoices supporting purchases of assets or acquisition of services when applicable, according to Decree 10-2012.	X	
✓	Issue special invoices for purchases of assets or acquisition of services, lacking legal supporting documentation and withhold the 5% and 7% according to Decree 10-2012 when applicable	X	
✓	Withhold the corresponding Income Tax to all employees whose annual income is higher than Q 48,000.00.	X	

10. ACCOUNTING MATERS

For the development of our work, the ONG Niños de Guatemala provided us with the accounting books (journal entries, general ledger, balance sheets). Entity uses the accounting program named Quick Books to record the institutional financial operations.

For tax purposes, entity contracted outsourcing accounting services.

11. TAX REVIEW

At the date of our review, the ONG Niños de Guatemala has not been reviewed by the country's tax authorities. The right of the Estate to run adjustments to the different taxes the entity is obliged, prescribes four years after the deadline fixed for the presentation of the corresponding tax returns.

12. SUBSEQUENT EVENTS

We are not aware of any change to the financial statements of the ONG Niños de Guatemala, subsequent to our review that may affect the amounts shown in the entity's financial statements.

ONG NIÑOS DE GUATEMALA
Report on the Institutional Audit
As of December 31, 2014

ANNEXES

Description	Annex	Pages
- Detail of institutional disbursements	(A)	2-2

ONG NIÑOS DE GUATEMALA

Financed by NDGNL, the Netherlands and FBO, the United States of America

ANNEX A

INTEGRATION OF DISBURSEMENTS MADE

As of January 01 through December 31, 2014

(Amounts stated in Quetzals)

Description of accounts	Amount	%
Employees expenses		
Ordinary salaries	1,104,419	30%
Incentive Bonus	89,125	2%
Fringe benefits	303,662	8%
Sub-total	1,497,206	41%
Office expenses		
Electricity	25,951	1%
Telecommunications	28,031	1%
Stationery	44,743	1%
Furniture and equipment	100,257	3%
Accounting	12,000	0%
Gas	12,565	0%
Office services	1,917	0%
Consulting	230,498	6%
Others	5,279	0%
Sub-total	461,241	13%
Infrastructure		
Building expenses	32,745	1%
Maintenance	34,890	1%
Construction costs	779,320	21%
Sub-total	846,955	23%
Transportation		
Fuels	4,480	0%
Repairs and maintenance	4,451	0%
Vehicle insurance	3,812	0%
Bus transportation	11	0%
Incidental expenses	294	0%
Sub-total	13,048	0%
Training and development		
Christmas party	8,397	0%
Budget development	18,124	0%
Sub-total	26,521	0%
Food and health		
Food	316,967	9%
Health	24,830	1%
Sub-total	341,797	10%

ONG NIÑOS DE GUATEMALA

Financed by NDGNL, the Netherlands and FBO, the United States of America

ANNEX A

INTEGRATION OF DISBURSEMENTS MADE

As of January 01 through December 31, 2014

(Amounts stated in Quetzals)

Description of accounts	Amount	%
Educational materials		
Children materials	297,787	8%
Teachers materials	36,828	1%
Learning place	14,338	0%
Psychology and social work	11,245	0%
Training and schools	15,598	0%
CCC	1,646	0%
Substitute teachers	5,441	0%
Transportation	1,882	0%
English programs	8,838	0%
Aflatoun	28,547	1%
Others	3,566	0%
Sub-total	425,716	12%
Promotional expenses		
Printing material	1,487	0%
Events	1,562	0%
Representation expenses	734	0%
Promotional expenses	2,478	0%
Others	88	0%
Sub-total	6,349	0%
Financial expenses		
Exchange difference	66,973	2%
Local bank commission	400	0%
Others	420	0%
Sub-total	67,793	2%
TOTAL DISBURSEMENTS	3,686,626	100%