

**THE ADELANTE FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015)**



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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Adelante Foundation, Inc.

We have audited the accompanying financial statements of The Adelante Foundation, Inc. ("Adelante"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We did not audit the financial statements of Adelante's Honduras operations, which statements reflect total assets of \$1,994,898 as of December 31, 2016, and total revenues of \$945,693 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Adelante's Honduras operations, is based solely on the report of the other auditors. We conducted our audit 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.

To the Board of Directors of  
The Adelante Foundation, Inc.


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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The Adelante Foundation, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Adelante's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Bauerle and Company, P.C.  
Denver, Colorado

July 11, 2017

**THE ADELANTE FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2016**

**(With Comparative Totals as of December 31, 2015)**

	<b>2016</b>	<b>2015</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 248,500	\$ 251,660
Certificate of deposit	99,349	105,085
Loans receivable, net of allowance for doubtful accounts of \$76,449 and \$56,177, respectively	1,540,843	1,407,473
Accounts receivable and other assets	43,333	8,279
	1,932,025	1,772,497
Property and equipment, at cost:		
Furniture, fixtures, and equipment	100,924	94,345
Vehicles	53,930	51,129
Software	43,355	45,858
	198,209	191,332
Less: accumulated depreciation and amortization	(105,724)	(102,909)
Net Property and Equipment	92,485	88,423
<b>TOTAL ASSETS</b>	<b>\$ 2,024,510</b>	<b>\$ 1,860,920</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Guaranteed deposits	\$ 596,902	\$ 516,449
Accounts payable and accrued expenses	68,186	94,557
Line of credit	39,692	20,000
Notes payable	25,099	131,380
Total Liabilities	729,879	762,386
<b>NET ASSETS</b>		
Unrestricted:		
Board designated	238,761	206,580
Undesignated	1,055,870	881,954
Total Unrestricted	1,294,631	1,088,534
Temporarily restricted	-	10,000
Total Net Assets	1,294,631	1,098,534
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,024,510</b>	<b>\$ 1,860,920</b>

The accompanying notes are an integral part of the financial statements.

**THE ADELANTE FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>SUPPORT AND REVENUE</b>				
Grants, contributions, and events	\$ 187,783	\$ -	\$ 187,783	\$ 196,932
Loan interest and fees	945,693	-	945,693	936,913
Net assets released from restrictions	10,000	(10,000)	-	-
Total Support and Revenue	<u>1,143,476</u>	<u>(10,000)</u>	<u>1,133,476</u>	<u>1,133,845</u>
<b>EXPENSES</b>				
Program services	634,181	-	635,279	690,524
General and administrative	139,299	-	139,396	157,321
Fundraising	94,467	-	93,272	61,145
Total Expenses	<u>867,947</u>	<u>-</u>	<u>867,947</u>	<u>908,990</u>
Change in Net Assets Before Other Items	275,529	(10,000)	265,529	224,855
<b>OTHER ITEMS</b>				
Foreign exchange rate (loss)	<u>(69,432)</u>	<u>-</u>	<u>(69,432)</u>	<u>(36,259)</u>
<b>CHANGE IN NET ASSETS</b>	206,097	(10,000)	196,097	188,596
<b>NET ASSETS</b>				
Beginning of year	<u>1,088,534</u>	<u>10,000</u>	<u>1,098,534</u>	<u>909,938</u>
End of year	<u>\$ 1,294,631</u>	<u>\$ -</u>	<u>\$ 1,294,631</u>	<u>\$ 1,098,534</u>

The accompanying notes are an integral part of the financial statements.

**THE ADELANTE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**(With Comparative Totals for the Year Ended December 31, 2015)**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>2016</b>	<b>2015</b>
Salaries and wages	\$ 269,636	\$ 59,591	\$ 40,766	\$ 369,993	\$ 436,114
Employee benefits and taxes	64,750	13,822	5,242	83,814	32,237
Total Employee Expenses	334,386	73,413	46,008	453,807	468,351
Other administrative expenses	54,352	11,884	7,036	73,272	69,236
Office expenses	45,206	9,581	3,011	57,798	59,720
Vehicle cost	47,029	9,632	-	56,661	53,184
Occupancy	43,602	8,930	-	52,532	51,401
Provision for loan impairment	34,297	7,025	-	41,322	17,265
Professional fees and outside services	15,054	4,193	10,396	29,643	81,070
Depreciation and amortization	23,537	6,066	-	29,603	29,519
Travel	16,114	4,085	7,352	27,551	36,488
Program costs	17,683	3,622	-	21,305	31,782
Advertising and promotion	-	-	18,145	18,145	1,824
Interest expense	2,921	868	2,519	6,308	9,150
Total Expenses	<u>\$ 634,181</u>	<u>\$ 139,299</u>	<u>\$ 94,467</u>	<u>\$ 867,947</u>	<u>\$ 908,990</u>

The accompanying notes are an integral part of the financial statements.

**THE ADELANTE FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 196,097	\$ 188,596
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Note payable converted to contribution	(54,500)	-
Foreign exchange rate loss	69,432	36,259
Bad debt expense	41,322	17,265
Depreciation and amortization	29,603	29,519
(Gain) loss on disposal of assets	(6,050)	2,604
Loans (disbursed to) clients	(4,068,903)	(3,817,880)
Loans repaid by clients	3,763,638	3,567,978
(Increase) Decrease in accounts receivable and other assets	(35,054)	983
Increase (Decrease) in accounts payable and accrued expenses	(26,371)	23,967
Guaranteed deposits received	342,127	277,175
Guaranteed deposits (disbursed)	(230,436)	(156,052)
Net Cash Provided By Operating Activities	<u>20,905</u>	<u>170,414</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	6,599	-
(Purchase of) property and equipment	(39,140)	(8,046)
Sale of certificate of deposit	5,736	3,457
Net Cash (Used In) Investing Activities	<u>(26,805)</u>	<u>(4,589)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	22,888	32,013
(Repayment of) notes payable	(72,791)	(22,334)
Proceeds from line of credit, net	19,692	20,000
Net Cash Provided By (Used In) Financing Activities	<u>(30,211)</u>	<u>29,679</u>
Effect of exchange rate changes on cash	32,951	(62,670)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(3,160)	132,834
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>251,660</u>	<u>118,826</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 248,500</u>	<u>\$ 251,660</u>
<b>SUPPLEMENTAL FINANCIAL INFORMATION</b>		
Interest Paid	<u>\$ 6,308</u>	<u>\$ 9,150</u>

The accompanying notes are an integral part of the financial statements.



**THE ADELANTE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. Nature of Organization**

The Adelante Foundation, Inc. (Adelante) is a Tennessee nonprofit corporation classified as a 501(c) (3) organization by the United States Internal Revenue Service, which is other than a private foundation. As such, it is exempt from income taxes in the United States, and contributions to it are deductible for income tax purposes as charitable donations.

Adelante was founded in 2000 to provide support for a Microfinance Institution (MFI) established on the northern coast of Honduras. The MFI is registered in Honduras in accordance with Honduran law. Adelante is a Grameen Replicator using a Micro Finance model developed by the Grameen Bank in the mid 1980's. The model provides for the establishment of solidarity groups of four to six persons who will guarantee the loans of each. These groups are also members of an Assembly which is generally composed of thirty people and meets at least monthly to receive training in business, health and other topics as well carry out administrative functions. Adelante focuses on providing loans to those with little or no economic opportunity so that they may achieve economic self-sufficiency.

**2. Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements include the accounts of both the U.S. and the Honduran operations of Adelante Foundation, Inc. The Honduran operations have been granted permission to operate pursuant to Resolution 158-2003 conferred by the Ministry of Governance and Justice in 2003.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with FASB ASC 958, Not-for-Profit Entities. Adelante is required to report information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets are those currently available for use for the general operations of Adelante and not restricted to donor imposed stipulations.

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**2. Summary of Significant Accounting Policies (continued)**

Financial Statement Presentation (continued)

Temporarily restricted net assets include contributions where donors have specified the purposes for which the net assets are to be spent, or time limitations imposed by donors or implied by the nature of the contribution, and such conditions have not been met at the date of the financial statements.

Permanently restricted net assets are received from donors with permanent stipulations as to their use.

Use of 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.

Accounting for Uncertainty in Income Taxes

In accordance with U.S. Generally Accepted Accounting Principles, management is required to make an assessment of uncertain tax positions that they believe would not meet a “more-likely-than-not” standard of being sustained under an income tax audit, and to record a liability for any such taxes including penalty and interest. Management of Adelante has not identified any U.S. uncertain tax positions that would require the recording of a liability as of December 31, 2016. However, as discussed in Note 9, in December 2013, the Honduran government issued a decree which eliminated the permanent tax exempt status granted to organizations such as Adelante. As a result, an annual review of tax exempt status must be performed by the Executive Agency of Revenue and the submissions for the years ending December 31, 2012 through December 31, 2016 are still in process.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term investments with original maturity dates of ninety days or less.

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**2. Summary of Significant Accounting Policies (continued)**

Loans Receivable

Loans receivable are reflected at cost, that is, the original loan amount, less payments received. An allowance for doubtful loans has been established based on management's estimates of uncollectible balances. The minimum provision percentages required for each of the qualifying loan categories are based upon criteria established by several organizations in the micro-finance industry. Adelante's policy for charging-off uncollectible loans is when future receipt is deemed improbable.

Interest income on loans is calculated using the effective interest rate multiplied by the carrying value of the loan.

Property and Equipment

Property and equipment are stated at cost. Betterments which materially add to the value of the related assets and materially extend the useful life of the assets are capitalized. Normal replacements and minor equipment purchases are included as expenses of the operating unrestricted net assets.

Depreciation is recorded on the straight-line basis over the following estimated useful lives:

Furniture, fixtures, and equipment	5-10 years
Vehicles	5 years
Software	5 years

Retirement Obligation to Honduran Employees

Honduran law requires that employers pay employees upon their severance from the Company. This obligation begins upon completion of ninety days of service to Adelante and is calculated annually using a sliding scale based on the employee's salary. This obligation is estimated based on management's experience and consultation with labor counsel. If an employee voluntarily leaves Adelante, he does not qualify for the severance payment unless he has completed 15 years of service, in which case, he is entitled to 35% of the amount otherwise payable.

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**2. Summary of Significant Accounting Policies (continued)**

Retirement Obligation to Honduran Employees (continued)

In September 2015, the Honduran Government amended its retirement law such that four percent (4%) of an employee's pay is to be paid to and maintained by an agency specified by the Honduran government for the benefit of each employee. As a result of this amendment, Adelante elected to pay its employees their accrued obligation pursuant to a provision of the amended retirement law that provides for such an election. Simultaneously, Adelante elected to pay each employee their severance pay annually commencing in September 2016, also an election pursuant to the law. Accordingly, Adelante entered into an agreement to pay one-half of the accrued severance pay in February of 2016 and one-half in February 2017 to each employee. Adelante has also elected to pay to each employee the current retirement benefit commencing in September 2016, reduced by the four percent noted above. The payment of the accrued severance costs totaled approximately \$65,000 each in February of 2016 and 2017. Management estimates that the current annual cost of funding the retirement obligation will be approximately \$50,000. This includes the amount to be paid to the Honduran Government as a result of the law change.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. 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. Temporarily restricted contributions in which the restriction is met in the same period the contribution is awarded, are reflected as unrestricted contributions in the statement of activities.

Donated Services and In-Kind Contributions

Financial Accounting Standards Board Statements require that the value of services provided by individuals with specialized skill be recognized in Adelante's financial statements. No amounts have been recognized in the accompanying financial statements for such services.

Other similar costs such as donated travel and out of pocket expenses by volunteers and members of the Board of Directors cannot be reasonably determined and therefore have not been recorded in these financial statements.

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**2. Summary of Significant Accounting Policies (continued)**

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of change in the market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Adelante is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

The loans receivable and notes payable are at fixed interest rates. The loans receivable mature much faster than the related borrowings. Furthermore, the term of the loans receivable are typically less than one year which allows Adelante to adjust the fixed interest rates of the notes receivable to market conditions.

Market Risk

Market risk is defined as external influences, generally outside of the control of Adelante, but which can be identified, assessed, and mitigated via actions put into place to reduce any adverse impact.

Credit Risk

Credit risk is the risk of financial loss to Adelante if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Adelante's lending activities.

Adelante takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired.

Significant changes in the economy, depreciation of local currencies against the currencies of the indexed portfolios, or in the health of a particular industry segment, could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, monitors and manages its exposure to credit risk.

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**2. Summary of Significant Accounting Policies (continued)**

Currency Risk

Adelante is exposed to currency risk through transactions in foreign currencies against the U.S. dollar. There is also a statement of financial position risk that the net monetary liabilities will take a higher value when translated into USD's as a result of currency movements.

Liquidity Risk

Liquidity risk is the risk that a company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry-up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash and cash equivalents. Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained. Adelante finances the loan portfolio with the income produced by the portfolio and with contributions received. The average loan term is less than 12 months.

Functional Allocation of Expenses

The costs of providing the various programs and 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.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

Adelante has performed an evaluation of subsequent events through July 11, 2017, which is the date the financial statements were available to be issued, and determined there were no material subsequent events that required recognition or additional disclosure in the financial statements.

**THE ADELANTE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. Concentration of Credit Risk**

Cash and certificates of deposit of approximately \$321,000 are deposited in Honduran financial institutions which are uninsured.

**4. Loans Receivable**

Loans receivable consist of loans provided to groups of impoverished women in Honduras. The total number of individuals participating in the program at the end of 2016 and 2015 was 7,650 and 7,887, respectively. The loans are initially made for periods of three to six months and bear interest at a rate of 2.5% - 3.5%, per month. Based on credit evaluations, longer term loans for home improvement or individual loans are made available.

During the years ended December 31, 2016 and 2015, Adelante recorded a charge of \$41,322 and \$17,265, respectively, of bad debt expense, representing 2.80% and 1.34% of the average outstanding loans in 2016 and 2015, respectively. It also charged \$21,050 and \$23,930, respectively, against the allowance for doubtful accounts for loans written-off.

**5. Notes Payable**

Notes payable consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Note payable to Banco Occidente, SA with interest at 11.68%, due June 30, 2020	\$ 20,027	\$ -
Note payable to Banco Atlantida, SA with interest at 16.25%, maturing November 2017	5,072	10,309
Note payable to the Grameen Foundation USA, at a rate of interest of 5%, payable at varying amounts, settled in March 2016, unsecured	-	89,500
Note payable to Banco Occidente, SA with interest at 17%, guaranteed by the general assets of Adelante in Honduras	<u>-</u>	<u>31,571</u>
	<u>\$ 25,099</u>	<u>\$ 131,380</u>

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**5. Notes Payable (continued)**

The following are future maturities of notes payable for the years ending December 31:

2017	\$ 12,108
2018	5,340
2019	5,340
2020	<u>2,311</u>
	<u>\$ 25,099</u>

**6. Line of Credit**

During the year ended December 31, 2015, Adelante entered into a \$50,000 line of credit with Collegiate Peaks Bank. The line bears interest at one percent above the Wall Street Journal prime rate with a floor rate of 5.25% and matures in February 2018. The line is personally guaranteed by a member of the Board of Directors of Adelante. As of December 31, 2016 and 2015, the outstanding balance on the line of credit was \$39,692 and \$20,000, respectively.

**7. Guaranteed Deposits**

Adelante accepts deposits from its borrowers which must be repaid upon a borrower leaving the program. In accordance with local law, these deposits do not pay interest and are considered partial collateral for the loans. The deposit is set at 10% of the original amount borrowed. If a borrower requires additional loan funds, the borrower may make an additional payment of 10% of the value of the loan in each cycle.

Management has adopted the policy to have dedicated cash accounts of at least 40% of the outstanding guaranteed deposits.

**8. Net Assets**

Board Designated Net Assets

The Board of Directors implemented a policy to designate specific cash balances for the repayment of the guaranteed deposits described in Note 7. As of December 31, 2016 and 2015, the total board designated net assets were \$ 238,761 and \$206,580, respectively.

Temporarily Restricted Net Assets

There were no temporarily restricted net assets at December 31, 2016. At December 31, 2015, temporarily restricted net assets consisted of a \$10,000 grant from a foundation that was to be used to fund 2016 loan pool activity.



**THE ADELANTE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**9. Commitments and Contingencies**

Leases

Adelante rents office space for its five offices for terms of one year or less. Monthly rent expense pursuant to these leases is approximately \$2,500.

General

Adelante provides microcredit and education to women in Honduras and, consequently, maintains a significant portion of its assets within Honduras. The future results of its programs could be adversely affected by factors such as currency devaluation or changes in the political climate. As of December 31, 2016 and 2015, approximately 99% and 98%, respectively, of the total assets of Adelante were located in Honduras.

On December 30, 2013, the Honduran government issued a decree which eliminated the permanent tax exempt status granted to organizations like Adelante. The prior regulations were replaced with a requirement for an annual review by the Executive Agency of Revenue. This Agency has reviewed submissions for 2010 and 2011 and determined Adelante is tax exempt for those years. The 2012, 2013, 2014, 2015 and 2016 submissions are in process. Management estimates the potential tax exposures to be approximately \$100,000 in the event the submissions for exoneration are denied. Adelante has not accrued this potential liability based on advice from local professionals and the approval of the 2010 and 2011 submissions.

**10. Honduran Operations**

Adelante's program activities take place in Honduras, where the currency is the lempira. As of December 31, 2016 and 2015, the exchange rate was L23.5029 and L22.3676 to one dollar, respectively. Beginning and ending accumulated translation adjustments for the years ended December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Accumulated Translation (Loss)		
Beginning of Year	(\$ 133,417)	(\$ 97,158)
Translation (Loss)	( 69,432)	( 36,259)
Accumulated Translation (Loss)		
End of Year	<u>(\$ 202,849)</u>	<u>(\$ 133,417)</u>

**11. Related Party Transactions**

During the year ended December 31, 2015, the Organization paid \$31,425 to an individual related to a Board Member. That individual became an Adelante Board Member in March of 2015.