

**THE ADELANTE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**(Together with Independent Auditors' Report)**



## CONTENTS

<u>Independent Auditors' Report</u>	1-2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15



## 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, 2017, 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; 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 \$2,247,635 as of December 31, 2017, and total revenues of \$1,043,792 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. 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, 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, 2017, 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.

## **Report on Summarized Comparative Information**

The 2016 financial statements of Adelante Foundation, Inc. were audited by Bauerle and Company, P.C., who merged with Wipfli LLP as of February 1, 2018, and whose report dated July 11, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wipfli LLP*

Wipfli LLP  
Denver, Colorado

July 31, 2018

**THE ADELANTE FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2017**

**(With Comparative Totals as of December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 281,641	\$ 248,500
Certificate of deposit	242,649	99,349
Loans receivable, net of allowance for doubtful accounts of \$110,320 and \$76,449, respectively	1,643,216	1,540,843
Accounts receivable and other assets	45,281	43,333
	<u>2,212,787</u>	<u>1,932,025</u>
Property and equipment, at cost:		
Furniture, fixtures, and equipment	111,292	100,924
Vehicles	50,606	53,930
Software	43,198	43,355
	<u>205,096</u>	<u>198,209</u>
Less: accumulated depreciation and amortization	<u>(134,271)</u>	<u>(105,724)</u>
Net Property and Equipment	<u>70,825</u>	<u>92,485</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,283,612</u></b>	<b><u>\$ 2,024,510</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Guaranteed deposits	\$ 695,080	\$ 596,902
Accounts payable and accrued expenses	41,050	68,186
Line of credit	-	39,692
Notes payable	15,077	25,099
Total Liabilities	<u>751,207</u>	<u>729,879</u>
<b>UNRESTRICTED NET ASSETS</b>		
Board designated	278,032	238,761
Undesignated	1,254,373	1,055,870
Total Unrestricted Net Assets	<u>1,532,405</u>	<u>1,294,631</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,283,612</u></b>	<b><u>\$ 2,024,510</u></b>

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

THE ADELANTE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>SUPPORT AND REVENUE</b>		
Grants, contributions, and events	\$ 161,155	\$ 187,783
Loan interest and fees	1,026,126	945,693
Other operating revenue	17,666	-
Total Support and Revenue	<u>1,204,947</u>	<u>1,133,476</u>
<b>EXPENSES</b>		
Program services	708,392	635,279
General and administrative	194,412	139,396
Fundraising	57,553	93,272
Total Expenses	<u>960,357</u>	<u>867,947</u>
Change in Unrestricted Net Assets Before Other Items	244,590	265,529
<b>OTHER ITEMS</b>		
Foreign exchange rate (loss)	<u>(6,816)</u>	<u>(69,432)</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	237,774	196,097
<b>UNRESTRICTED NET ASSETS</b>		
Beginning of year	<u>1,294,631</u>	<u>1,098,534</u>
End of year	<u>\$ 1,532,405</u>	<u>\$ 1,294,631</u>

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

**THE ADELANTE FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 271,074	\$ 74,924	\$ 21,090	\$ 367,088	\$ 369,993
Employee benefits and taxes	69,484	17,938	1,670	89,092	83,814
Total Employee Expenses	340,558	92,862	22,760	456,180	453,807
Other administrative expenses	69,532	19,277	5,583	94,392	73,272
Office expenses	56,997	15,247	2,942	75,186	57,798
Vehicle cost	56,094	14,024	-	70,118	56,661
Occupancy	52,613	13,153	-	65,766	52,532
Provision for loan impairment	42,727	10,682	-	53,409	41,322
Travel	22,501	7,330	5,026	34,857	27,551
Depreciation and amortization	25,594	7,643	-	33,237	29,603
Professional fees and outside services	14,154	6,836	9,720	30,710	29,643
Program costs	22,515	5,629	-	28,144	21,305
Advertising and promotion	-	-	10,189	10,189	18,145
Interest expense	5,107	1,729	1,333	8,169	6,308
Total Expenses	<u>\$ 708,392</u>	<u>\$ 194,412</u>	<u>\$ 57,553</u>	<u>\$ 960,357</u>	<u>\$ 867,947</u>

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

**THE ADELANTE FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 237,774	\$ 196,097
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	6,816	69,432
Bad debt expense	53,409	41,322
Depreciation and amortization	33,237	29,603
Gain on disposal of assets	-	(6,050)
Loans disbursed to clients	(3,969,339)	(4,068,903)
Loans repaid by clients	3,779,809	3,763,638
(Increase) in accounts receivable and other assets	(1,948)	(35,054)
(Decrease) in accounts payable and accrued expenses	(27,136)	(26,371)
Guaranteed deposits received	344,225	342,127
Guaranteed deposits disbursed	(243,716)	(230,436)
Net Cash Provided By Operating Activities	213,131	20,905
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	-	6,599
Purchase of property and equipment	(11,217)	(39,140)
(Purchase) sale of certificate of deposit	(143,300)	5,736
Net Cash (Used In) Investing Activities	(154,517)	(26,805)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	22,888
Repayment of notes payable	(9,950)	(72,791)
(Repayment of) proceeds from line of credit, net	(39,692)	19,692
Net Cash (Used In) Financing Activities	(49,642)	(30,211)
Effect of exchange rate changes on cash	24,169	32,951
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>33,141</b>	<b>(3,160)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>248,500</b>	<b>251,660</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 281,641</b>	<b>\$ 248,500</b>
<b>SUPPLEMENTAL FINANCIAL INFORMATION</b>		
Interest Paid	\$ 8,169	\$ 6,308

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



**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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, 2017 AND 2016**

**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. At December 31, 2017 and 2016, Adelante had no temporary restricted net assets.

Permanently restricted net assets are received from donors with permanent stipulations as to their use. At December 31, 2017 and 2016, Adelante had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, 2017 and 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, 2017, are still in process.

Cash and Cash Equivalents

For the purpose of the statements 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, 2017 AND 2016**

**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

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 statements 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 statements of activities.

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

Retirement Obligation to Honduran Employees

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. Payment of the accrued severance costs totaled approximately \$65,000, for both February 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.

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, 2017 AND 2016**

**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 is 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, 2017 AND 2016**

**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 statements 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 31, 2018, 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, 2017 AND 2016**

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

Recently Issued Accounting Pronouncements

In August 2016, the FASB issue ASU 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on its financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the potential impact of this ASC on its financial statements.

**3. Concentration of Credit Risk**

Cash and certificates of deposit of approximately \$409,000 and \$321,000 at December 31, 2017 and 2016, respectively, 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 2017 and 2016 was 7,200 and 7,650, respectively. The loans are initially made for periods of three to six months and bear interest at a rate of 2.5% to 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, 2017 and 2016, Adelante recorded a charge of \$53,409 and \$41,322, respectively, of bad debt expense, representing 3.14% and 2.80% of the average outstanding loans in 2017 and 2016, respectively. It also charged \$19,538 and \$21,050, respectively, against the allowance for doubtful accounts for loans written-off.

**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**5. Notes Payable**

Notes payable consist of the following as of December 31:

	2017	2016
Note payable to Banco Occidente, SA with interest at 11.68%, due June 30, 2020	\$ 15,077	\$ 20,027
Note payable to Banco Atlantida, SA with interest at 16.25%, paid in November 2017	-	5,072
	\$ 15,077	\$ 25,099

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

2019	\$ 6,935
2020	8,142
	\$ 15,077

**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 beared interest at one percent above the Wall Street Journal prime rate with a floor rate of 5.25%. The line was personally guaranteed by a member of the Board of Directors of Adelante. As of December 31, 2017 and 2016, the outstanding balance on the line of credit was \$0 and \$39,962, respectively. The line matured in February of 2018 and was not renewed.

**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.



**THE ADELANTE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**8. 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, 2017 and 2016, the total board designated net assets were \$278,032 and \$238,761, respectively.

**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 \$ 2,300.

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, 2017 and 2016, approximately 99% 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, 2016 and 2017 submissions are in process. Management estimates the potential tax exposures to be approximately \$140,000 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, 2017 and 2016, the exchange rate was L23.5879 and L23.5029 to one dollar, respectively. Beginning and ending accumulated translation adjustments for the years ended December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Accumulated Translation (Loss)		
Beginning of Year	(\$ 202,849)	(\$ 133,417)
Translation (Loss)	( 6,816)	( 69,432)
Accumulated Translation (Loss)		
End of Year	(\$ 209,665)	(\$ 202,849)