

LASPAU: Academic and Professional Programs for the Americas, Inc.

Financial Statements

Years Ended December 31, 2014 and 2013

LASPAU: Academic and Professional Programs for the Americas, Inc.

FINANCIAL STATEMENTS
Years Ended December 31, 2014 and 2013

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Independent Auditor's Report

Board of Trustees
LASPAU: Academic and Professional Programs for the Americas, Inc.
Cambridge, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of LASPAU: Academic and Professional Programs for the Americas, Inc. ("LASPAU") which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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, the financial statements referred to above present fairly, in all material respects, the financial position of LASPAU as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Boston, Massachusetts
August 6, 2015

LASPAU: Academic and Professional Programs for the Americas, Inc.

Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,081,346	\$ 7,289,071
Receivables from funding agencies	3,391,483	3,072,245
Pledges receivable	3,132	2,376
Prepaid expenses	1,568,228	1,420,362
Other current assets	27,262	26,238
Total current assets	<u>14,071,451</u>	<u>11,810,292</u>
Property and equipment, net	<u>44,502</u>	<u>53,862</u>
Total assets	<u>\$ 14,115,953</u>	<u>\$ 11,864,154</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,080,666	\$ 455,816
Other short-term liabilities	273,479	120,211
Deferred revenue	12,005,576	11,723,708
Total current liabilities	<u>13,359,721</u>	<u>12,299,735</u>
Net assets:		
Unrestricted	572,937	(618,876)
Temporarily restricted	183,295	183,295
Total net assets	<u>756,232</u>	<u>(435,581)</u>
Total liabilities and net assets	<u>\$ 14,115,953</u>	<u>\$ 11,864,154</u>

See notes to financial statements.

LASPAU: Academic and Professional Programs for the Americas, Inc.

Statements of Activities

Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Grants received	\$ 19,297,788	\$ -	\$ 19,297,788	\$ 14,558,080	\$ -	\$ 14,558,080
Less - amounts designated by funders for specific beneficiaries	(14,887,415)	-	(14,887,415)	(10,632,271)	-	(10,632,271)
Net grant revenue	4,410,373	-	4,410,373	3,925,809	-	3,925,809
Other income:						
Testing	329,714	-	329,714	302,600	-	302,600
Seminars	837,074	-	837,074	527,132	-	527,132
Fundraising	760	-	760	-	-	-
Interest income	409	-	409	1,315	-	1,315
Other	16,817	-	16,817	17,888	-	17,888
Contributions	5,600	-	5,600	-	-	-
Total revenue, gains and other support	5,600,747	-	5,600,747	4,774,744	-	4,774,744
Expenses:						
Seminars	602,708	-	602,708	587,019	-	587,019
U.S. Government funding agencies	997,797	-	997,797	1,056,079	-	1,056,079
Management and general	1,264,525	-	1,264,525	1,097,215	-	1,097,215
Other funding agencies	1,300,762	-	1,300,762	1,216,142	-	1,216,142
Organization of American States	156,562	-	156,562	191,744	-	191,744
Testing	86,158	-	86,158	73,779	-	73,779
Fundraising	422	-	422	-	-	-
Total expenses	4,408,934	-	4,408,934	4,221,978	-	4,221,978
Changes in net assets	1,191,813	-	1,191,813	552,766	-	552,766
Net assets:						
Beginning of year	(618,876)	183,295	(435,581)	(1,171,642)	183,295	(988,347)
End of year	\$ 572,937	\$ 183,295	\$ 756,232	\$ (618,876)	\$ 183,295	\$ (435,581)

See notes to financial statements.

LASPAU: Academic and Professional Programs for the Americas, Inc.

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,191,813	\$ 552,766
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,360	10,512
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(319,238)	(2,124,763)
Pledges receivable	(756)	(2,376)
Prepaid expenses	(147,866)	(232,203)
Other current assets	(1,024)	(17,428)
Increase (decrease) in:		
Accounts payable	624,850	(6,202)
Other short-term liabilities	153,268	(120,792)
Deferred revenue	281,868	3,433,389
Net cash provided by operating activities	<u>1,792,275</u>	<u>1,492,903</u>
Net increase in cash and cash equivalents	1,792,275	1,492,903
Cash and cash equivalents:		
Beginning of year	<u>7,289,071</u>	<u>5,796,168</u>
End of year	<u><u>\$ 9,081,346</u></u>	<u><u>\$ 7,289,071</u></u>

See notes to financial statements.

LASPAU: Academic and Professional Programs for the Americas, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

1. NATURE OF ORGANIZATION

LASPAU: Academic and Professional Programs for the Americas, Inc. (“LASPAU” or the “Organization”) is a private, nonprofit corporation located in the Commonwealth of Massachusetts and is affiliated with Harvard University. LASPAU designs, develops and implements academic and professional exchange programs on behalf of individuals and institutions in order to contribute to the advancement of education in Latin America, Canada, the Caribbean, and the United States. Through a variety of specialized services, LASPAU carries out programs for several sponsors by cooperating with Latin American and Caribbean institutions seeking to assess and fulfill their educational and training needs. In support of its overall purpose, LASPAU offers these specialized educational services to institutions both inside and outside of the Americas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification and Reporting of Net Assets

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to not-for-profit organizations under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, “Financial Statements of Not-For-Profit Organizations”. These requirements require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There are no permanently restricted net assets.

Cash and Cash Equivalents

LASPAU considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include the operating cash accounts and funds invested in money market mutual funds available on a daily basis.

Other Current Assets

LASPAU’s other current assets include test booklets purchased for resale to third parties which are recorded at the lower of cost, determined by the first-in, first-out method, or market value.

LASPAU: Academic and Professional Programs for the Americas, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Advertising

The Organization expenses advertising costs as incurred.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. LASPAU's cash and cash equivalents of \$9,081,346 and \$7,289,071 at December 31, 2014 and 2013, respectively, are primarily invested in money market mutual funds of one financial institution. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment, consisting of furniture, equipment, and software, are recorded at cost and depreciated over their estimated useful lives, generally four to five years, using the straight-line method. Expenditures for maintenance and repairs, which do not critically extend useful life of the asset, are expensed as incurred.

When assets are sold or retired, the cost thereof and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss, if any, is credited to or charged against income.

Deferred Revenue and Revenue Recognition

LASPAU acts as an administrator for all of its funding agencies which include the United States Government, the Organization of American States, and other countries and private organizations. As an administrator, LASPAU receives grants from these organizations for the purpose of funding fellowships for students at educational institutions within the United States, Latin America, Canada, and the Caribbean. LASPAU records deferred revenue upon receipt of these grants equal to the value of funds received in advance of disbursements. Revenue from grants received is recognized as expenses designated for specific grantees are incurred. Deferred revenue is reduced as revenue from grants received is recorded.

Revenue from testing services, seminars and programs is recognized as they are performed or upon completion, in accordance with the terms of the contract.

Tax Status

The Organization is a not-for-profit organization which is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

LASPAU: Academic and Professional Programs for the Americas, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Tax Status...continued

The Organization follows FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Organization has no material uncertainties in income taxes.

The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities before 2011.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables from Funding Agencies

LASPAU maintains allowances for doubtful accounts, when necessary, for losses resulting from the inability of their funders to make required payments. LASPAU reviews their receivables on a regular basis to determine if past due balances are likely to be collected. This review includes discussions with LASPAU's funders and their account representatives, the funders' payment history and other factors. Based on these reviews LASPAU may record or reduce an allowance for uncollectible accounts if they determine there is a change in the collectability of their receivables. There was no allowance for doubtful accounts as of December 31, 2014 and 2013.

Contributions

Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at fair value.

Contributions to be received after one year are discounted using a rate commensurate with the risk involved once an appropriate allowance for doubtful collections has been determined. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund-raising activity. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class. A reclassification from temporarily restricted net assets to unrestricted net assets is made to reflect the expiration of such restrictions.

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Notes to Financial Statements

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 31, 2017, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material effect on the Organization's financial statements or disclosures.

Reclassification

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation with no effect on changes in net assets.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 80,872	\$ 80,872
Software	442,686	442,686
Less - accumulated depreciation and amortization	<u>(479,056)</u>	<u>(469,696)</u>
Property and equipment, net	<u>\$ 44,502</u>	<u>\$ 53,862</u>

Depreciation and amortization expense on fixed assets was \$9,360 and \$10,512 for the years ended December 31, 2014 and 2013, respectively.

LASPAU: Academic and Professional Programs for the Americas, Inc.

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4. REIMBURSEMENT OF GRANTEE AND ADMINISTRATIVE EXPENSES

Arrangements with funding agencies normally provide for the recovery of both grantee and administrative expenses. Administrative expenses are recovered based on an indirect cost rate which is subject to audit. LASPAU recognizes revenue related to grantee and administrative expenses as actual costs are incurred or as allowed by contract.

Amounts paid to grantees are net of withholding taxes which LASPAU remits on behalf of the grantees. These expenses are included in amounts designated by funders for specific beneficiaries.

5. COMMITMENTS AND CONTINGENCIES

LASPAU is committed to minimum annual rent payments under a long-term noncancelable operating lease for the use of office space and for certain office equipment until July 2015.

Rent expense for office space amounted to \$242,231 and \$241,624 during the years ended 2014 and 2013, respectively. The following is a schedule by year of future minimum rental payments required under the operating leases:

2015	\$ <u>98,785</u>
	<u>\$ 98,785</u>

6. CONCENTRATIONS OF RECEIVABLE BALANCES

Receivables from funding agencies at December 31 consist of the following:

	<u>2014</u>		<u>2013</u>	
	Primary Funding Agency Receivable Balances	Percent of Total Receivable Balance	Primary Funding Agency Receivable Balances	Percent of Total Receivable Balance
Colciencias	\$ -	0%	\$ 109,072	4%
Organization of American States	48,618	1%	94,822	3%
CAPES Foundation	2,743,848	81%	2,386,253	78%
Other funding agencies	<u>599,017</u>	18%	<u>482,098</u>	16%
	<u>\$ 3,391,483</u>		<u>\$ 3,072,245</u>	

LASPAU: Academic and Professional Programs for the Americas, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

7. RELATED PARTIES

LASPAU is an affiliate of Harvard University (the "University"). The University pays certain of LASPAU's costs that are subject to reimbursement by LASPAU. These reimbursable costs include salaries, employee fringe benefits and other expenses paid by the University on behalf of LASPAU. Disbursements for these costs aggregated \$3,947,718 and \$3,432,400 in 2014 and 2013, respectively. At December 31, 2014 and 2013, \$398,622 and \$379,583, respectively, was payable to the University and is included in accounts payable on the statements of financial position.

LASPAU utilizes the University's fringe benefit rate to recover employee fringe benefit costs from sponsors.

Employees of LASPAU are governed by the personnel plans and policies of the University, including those policies covering post-retirement benefits and vacation time earned and vested.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of purpose restricted contributions of \$183,295 from prior years.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 6, 2015, the date the financial statements were available to be issued.