TO: Avivara U.S. Board of Directors
FROM: Gary A. Teale, Executive Director, Avivara
RE: 2017 Financial Statements
DATE: January 17, 2018

AVIVARA U.S.

From most perspectives, Avivara U.S. had another good year financially. Revenue highlights included:

1. Donations from individuals were up by 12.58%
2. Group/Corporate contributions were up by 7.24%
3. Special Donations received $1,100 in gifts to the Valle Memorial Fund (prior to December 31, 2017), and one special bequest gift of $10,000.
4. Our Annual Fall Appeal brought in $50,649 which was 19.5% over our goal of $42,400.
    a. Increased contribution sizes resulted in $6,581 in matching funds which we will receive in 2018.
    b. 156 donors contributed to the fall appeal
    c. Compared to industry averages, our donor retention rates were OK, but not exceptional.
5. Our affiliate programs also showed increases in donations of around 7-8%
6. Even though our special event on November 4th showed a slight loss, the good will it produced did seem to have an effect on the fall appeal contributions.
7. Our operating reserve showed a rate of return of 3.8%, which was very consistent with overall bond market, where we have most of our operating reserve invested.
8. **We ended the year with an operating surplus of $5,436.09**

There were some concerns, however:

1. Contributions from new donors fell off considerably (-61.57%).
2. Our donor base shrank from 362 donors in 2016, to 332 donors in 2017, a decrease of 8.3%.
3. Interestingly, in 2016, we had 49 new donors, while in 2017, we had only 19 new donors.

On the expenses side:

1. Distributions to Avivara programs in Guatemala increased by slightly over $30,000 (24.21%). This enabled Avivara Guatemala to fund a number of special projects at the end of the year; new computer labs, expanded music programs, library expansions, and increase in scholarships.
2. Combined Professional Services and Business Operations expenses were down by around $2,000 due primarily to a decrease in travel expenses in 2017.
3. Other Miscellaneous expenses were up slightly due to increased credit card processing fees.

ASOCIACION AVIVARA, GUATEMALA

Revenues

1. Since all but a tiny fraction of our revenues in Guatemala come from Avivara U.S., there's not much to tell here. It is important to remember that Avivara U.S. does its accounting on an accrual basis and Asociacion Avivara, Guatemala does its accounting on a cash basis, so there

will not be a match between what is reported as distributed from the U.S. to what is received in Guatemala in the same fiscal year.

2. Distributions to our affiliate programs are basically a wash, since monies we receive from the U.S. for them, are distributed to them as we receive them each quarter.

Expenses

1. **Salaries and Benefits** actually decreased slightly (-2.0%) due to an adjustment to the amount we needed to have in reserve for Gustavo's deferred compensation.
2. **Professional services** expenses increased due to the implementation of a multi-user on-line bookkeeping system with our accounting office in Antigua.
3. **Administrative expenses** increased due to more money spent on hosting events (lunches, dinners, etc.) for U.S. visitors and our Guatemalan coordinating team.
4. The significant increase in taxes was due to our paying informal workers for the installation of the water system in the village of Pachut and thus paying additional labor-related taxes on those costs.
5. **Grants to Schools** were down 15% from 2016, but with an increased emphasis on installing technology programs in the schools, and also hiring supplemental teachers to carry out those programs effectively.
6. Our **scholarship program** saw an increase of 26% in scholarships awarded, with increases at both the secondary level and at the university level. Next year, we will be dividing the secondary scholarships into two groups, junior high and high school, so that we can have a clearer picture of what our future scholarship projections will be over the next several years.
7. **Vehicle expenses** were up significantly, primarily due to Gustavo having his own car and Avivara reimbursing him for his vehicle expenses as well as those related to the Avivara Mazda pickup.
8. **Bottom line: Asociacion Avivara operated at a loss of slightly less than $6,900 (U.S.) in 2017**. This was a planned loss due to the growth of retained earnings over the last several years.

In general, both Avivara U.S. and Asociacion Avivara are in good shape financially. We have sufficient reserves to meet all of our obligations for at least one year.

The 2018 budgets that were approved by the board at the end of December, 2017, will need to be revised because of Gustavo's death. When we have a better idea of who and how we will be staffing the roles that Gustavo had with the organization, I will have a better idea of whether we may need to utilize a portion of our operating reserve. It is for unusual situations like this that we established the reserve in the first place.

Respectfully submitted,

Gary Teale
Executive Director, Avivara