

Avivara Us Board Minutes

December 2013

This meeting of the Avivara US Board was conducted via email and consisted of the Board's unanimous approval of the Avivara and Asociacion Avivara budgets for 2014. (See attached budgets.)

TO: Avivara U.S. Board of Directors
FROM: Gary A Teale
RE: 2014 Budgets
DATE: 12/09/2013

Dear Folks,

Yes, it's that time of year where we get to sit down and decide how we would like to manage the Avivara resources for the upcoming year.

Attached to this memo are the proposed 2014 budgets for Avivara U.S. and Asociación Avivará in Guatemala, and options to consider for our Operating Reserve Fund. But first a little review of 2013.

For Avivara in 2013 we saw a significant increase in total revenues (up by 37.5%), with a moderate increase in donations from individuals (up by 16.5%) and major increases in donations from community groups and foundations (up by 160%). I project that we will see total revenues for 2013 right around \$125,000 and an operating surplus of between \$7,000-8,000. All good news, especially when we had the unexpected expense of buying a new truck to replace the one that was stolen.

There is only one little fly in the ointment. Our total number of donors in 2011 was slightly over 250, in 2012 it was 238, and our total number of donors so far in 2013 is 208, so our donor base has been shrinking for several years. It is for that reason that I am proposing a relatively conservative budget for Avivara U.S. in 2014. Fortunately, the top 1/3 of our donor pyramid has stayed very stable and most of the donor base "churn" has been with donors making smaller donations.

In Guatemala, our 2013 numbers were skewed significantly by the theft of the truck, and while on the books we show an operating surplus for the year, if you take out the "donation" of the truck, the insurance payment for the theft, along with all the concurrent costs associated with replacing the truck and its stolen contents, our operating surplus would be much closer to break even.

(Note: the "donation" was done since we needed some way of recording it as an asset on Guatemala books and registering it in Guatemala, even though we actually paid for the truck in U.S. funds from our Avivara bank account in the U.S. Confusing, of course, it's Guatemala.)

2014 Proposed Budget for Avivara U.S.

For 2014, I am proposing an overall budget slightly less than what we received in 2013. This is partly due to my fiscally conservative nature, and also because of the decrease in our donor base numbers. I do not anticipate having a major event in 2014, but instead arranging for more small-group presentations to try and build up our donor base to its previous levels. (See proposed 2014 Avivara U.S. budget at the end of this document.)

2014 Proposed Budget for Asociación Avivará

Even with a conservative budget for 2014 for Avivara U.S., we still have done well enough to in 2013 to significantly increase in the amount of money we can send to Guatemala in 2014 (up by 16.4%). In looking at the proposed 2014 budget for Asociación Avivará, the greatest increase is in the area of scholarships (up by nearly 35%) and a small decrease in school grants (down by 7.4%). However, that decrease in school grants is due to the fact that we don't anticipate any major infrastructure projects next year and have actually increased funding for teaching materials, students supplies and other classroom needs.









Also, Gustavo will see an increase (9.1%) in his salary and benefits consistent with the increased cost of living statistics put out by the Guatemalan government.

With the purchase of the new pickup we do expect to see our expenses in the area to transportation and delivery to go down by around 25% due to the better mileage and lower costs for diesel rather than gasoline, and the expectation that our repairs will be less because the new truck is obviously newer. (See the 2014 proposed Asociación Avivará at the end of this document.)

Operating Reserve

Currently, we maintain an operating reserve slightly over \$44,000 in a Capital One Money Market Savings account which during 2013 paid an annual interest rate of around 0.02%. We had talked earlier about moving our operating reserve to a vehicle that would provide us with a greater return, but still be relatively flexible and with low to moderate risk.

I have done some research and am leaning toward the option of a Vanguard Life Strategy Income Fund, which is a lower risk mix of 20% stocks and 80% bonds and with a return that won't make your socks roll up and down, but certainly much greater than we are currently getting. (See charts on next page.)

	LifeStrategy Income Fund	LifeStrategy Conservative Growth Fund	LifeStrategy Moderate Growth Fund	LifeStrategy Growth Fund
For investors who:	Care most about current income. Accept the limited growth potential that comes with limited exposure to stock market risk. Get details on LifeStrategy Income Fund	Care more about current income than long-term growth. Want some growth potential but with less exposure to stock market risk. Get details on LifeStrategy Conservative Growth Fund	Care more about long-term growth than current income. Want more growth potential and accept added exposure to stock market risk. Get details on LifeStrategy Moderate Growth Fund	Care most about long-term growth. Accept significant exposure to stock market risk in exchange for more growth potential. Get details on LifeStrategy Growth Fund
Investment time horizon	3 to 5 years	More than 5 years	More than 5 years	More than 5 years
Risk	 Low to moderate	 Moderate	 Moderate to high	 High
Target allocation	 20% stocks 80% bonds	 40% stocks 60% bonds	 60% stocks 40% bonds	 80% stocks 20% bonds

Performance Chart for the Vanguard Life Strategy Income Fund

Performance

View

Average annual returns as of 09/29/2013

	This fund	Industry average
YTD as of 12/05/2013	3.06%	—
1-year	2.31%	5.03%
3-year	4.57%	6.28%
5-year	5.59%	6.96%
10-year	4.84%	5.24%
Since inception (09/29/1994)	6.68%	—
Acquired fund fees & expenses as of 08/11/2013	0.14%	0.89%

In doing a cash flow analysis for 2014, we could increase our operating reserve to \$55,000 in January to meet our ratio of having our operating reserve be equal to ½ of our annual budget. However, in late September we would need to withdraw around \$10,000 from the reserve to make our 4th quarter distribution to Guatemala. It is likely that within the month of October we would generate enough revenues to re-invest that \$10,000 back into the operating reserve fund.

In speaking with the Vanguard representative, there would be no penalty for withdrawing the \$10,000 and then re-investing it within 60 days, but it would need to be done by check rather than electronic fund transfer.

If this seems like a good option for us, Tom and I can begin working on moving our reserve fund from Capital One to Vanguard.

Approval by the Board

You folks will need to decide if you would like to have a formal meeting to approve the 2014 budget and the operating reserve move, or if you would just like to send in your approval by email to David Craig. We do need to have the approval done by the end of December.

As always, please feel free to contact me with any questions or for clarifications.

Peace,
Gary

Avivara US

Profit & Loss Budget Overview

January through December 2014

	Budget	%	Projected	% Change	Notes
	Jan - Dec 14	of total	Jan - Dec 13	2013-2014	
INCOME					
(1h) CONTR., GIFTS & GRANTS					
(1a) FEDERATED CAMPAIGNS					
Combined Fund of Washington	0.00	0.0%	1,099.32	-100.0%	Donor now contributing directly
King County Emp. Giving Plan	0.00	0.0%	864.24	-100.0%	Donor now contributing directly
United Way	0.00	0.0%	131.21	-100.0%	No giving pattern established here
Total (1a) FEDERATED CAMPAIGNS	0.00	0.0%	2,094.77	-100.0%	
(1f) OTHER CONTRIBUTIONS					
INDIVIDUAL CONTRIBUTIONS					
Contributions-Independent	51,215.00	46.8%	48,588.00	5.4%	Shifted some 2013 presentation donations to this line item
Contributions-Presentations	4,000.00	3.7%	8,808.00	-54.6%	2013-majority recived at Faces event
LIFE Event Contributions	600.00	0.5%	1,674.00	-64.2%	Tough to predict this line item
Recurring Monthly Contributions	5,700.00	5.2%	5,139.00	10.9%	Expect continued growth in this line item
Single Online Contributions	8,050.00	7.4%	8,038.00	0.1%	Expected to remain fairly stable
Donation of Stock	0.00	0.0%	0.00	0.0%	Not an active income account
Total INDIVIDUAL CONTRIBUTIONS	69,565.00	63.6%	72,247.00	-3.7%	
GROUP/CORP. CONTRIBUTIONS					
School Partner Contributions	7,800.00	7.1%	8,274.61	-5.7%	No major changes expected here
Church Contributions	11,450.00	10.5%	10,543.00	8.6%	Continued support from Covenant Church expected
Community Group Contributions	1,000.00	0.9%	827.30	20.9%	Tough to get repeat donations in this line item
Private Foundation Grants	2,000.00	1.8%	7,500.00	-73.3%	One time grants in 2013 probably not repeated
Corporate Matching Gifts	150.00	0.1%	4,145.00	-96.4%	Donors left employment at matching companies
Total GROUP/CORP. CONTRIBUTIONS	22,400.00	20.5%	31,289.91	-28.4%	
AFFILIATED PROGRAMS CONTR.					
Becas Uspantan Donations	12,000.00	11.0%	14,170.00	-15.3%	Decrease in donors-major donations by founder in 2013
Total AFFILIATED PROGRAMS CONTR.	12,000.00	11.0%	14,170.00	-15.3%	
Total (1f) OTHER CONTRIBUTIONS	103,965.00	95.0%	117,706.91	-11.7%	
Total (1h) CONTR., GIFTS & GRANTS	103,965.00	95.0%	119,801.68	-13.2%	

Avivara US

Profit & Loss Budget Overview

January through December 2014

	Budget Jan - Dec 14	% of total	Projected Jan - Dec 13	% Change 2013-2014	Notes
PROGRAM FEES & REVENUES					
(2a) SAGE Program Fees	2,450.00	2.2%	4,200.00	-41.7%	Archbishop Murphy Group plus 3-4 individuals
Total PROGRAM FEES & REVENUES	2,450.00	2.2%	4,200.00	-41.7%	
OTHER REVENUES					
(3) Investment Income	900.00	0.8%	121.16	642.8%	Switch to Vanguard Fund with yield estimated at 2%
(10c) Net Inc.-Inventory Sales					
(10a) Gross Sales of Inventory	3,420.00	3.1%	4,288.50	-20.3%	No big events/just small presentations
(10b) Less Cost of Goods Sold	-1,300.00	-1.2%	-2,230.44	-41.7%	Some Inventory remaining from 2013
Total (10c) Net Inc.-Inventory Sales	2,120.00	1.9%	2,058.06	3.0%	
Total OTHER REVENUES	3,020.00	2.8%	2,179.22	38.6%	
TOTAL INCOME	109,435.00	100.0%	126,180.90	-13.3%	
EXPENSES					
GRANTS TO PROGRAMS					
(3) GRANTS TO FOREIGN ORGS.					
Distributions to Asoc. Avivara					
Asociacion Avivara	91,450.00	83.6%	78,553.00	16.4%	Major increase in Scholarships
Becas Uspantan Restricted	10,800.00	9.9%	11,855.00	-8.9%	Donations minus 10% admin fee to Avivara
Total Distributions to Asoc. Avivara	102,250.00	93.4%	90,408.00	13.1%	
US Purchases for Asoc. Avivara	650.00	0.6%	17,979.92	-96.4%	2013-Mostly replacement of stolen pickup
Wire Transfer Fees	140.00	0.1%	115.00	21.7%	KeyBank new management-no discounts any more
Total (3) GRANTS TO FOREIGN ORGS.	103,040.00	94.2%	108,502.92	-5.0%	
Total GRANTS TO PROGRAMS	103,040.00	94.2%	108,502.92	-5.0%	
BUSINESS OPERATIONS EXPENSE					
(12) Advertising & Promotion	1,800.00	1.6%	2,509.45	-28.3%	Good supply of brochures in stock
(13) Office Operations Expense	50.00	0.0%	69.29	-27.8%	no expected change
(14) Information Technology	1,255.00	1.1%	1,672.53	-25.0%	Reduced-Webhosting renewed for two years in 2013
(17) Travel Expenses	2,350.00	2.1%	4,709.24	-50.1%	Only sending Ann & Gary in 2014/Spring & Fall
Total BUSINESS OPERATIONS EXPENSE	5,455.00	5.0%	8,960.51	-39.1%	

Avivara US

Profit & Loss Budget Overview

January through December 2014

	Budget	%	Projected	% Change	Notes
	Jan - Dec 14	of total	Jan - Dec 13	2013-2014	
(24) OTHER EXPENSES					
(24a) Gov. Regulatory Fees	100.00	0.1%	100.00	0.0%	no expected change
(24b) Donation Processing Fees	640.00	0.6%	627.00	2.1%	no expected change
(24c) Volunteer Appreciation	200.00	0.2%	521.09	-61.6%	2013 added expenses related to Faces Event
Total (24) OTHER EXPENSES	940.00	0.9%	1,248.09	-24.7%	
TOTAL EXPENSES	109,435.00	100.0%	118,711.52	-7.8%	
NET OPERATING SURPLUS/LOSS	0.00	0.0%	7,469.38	-100.0%	

Asociacion Avivara

Profit & Loss Budget Overview

January through December 2014

	<u>Budget 2014</u>	<u>% of Total</u>	<u>Projected Actual 2013</u>	<u>% Change 2013-2014</u>	<u>Budget 2014</u>	<u>Notes</u>
	In Q		In Q		In \$	
INCOME					Q7,8004	
U.S. Donations						
Avivara U.S. Donations	Q713,350	88.6%	Q614,738	16.0%	\$91,450	
Becas Uspantan Restricted	Q92,000	11.4%	Q91,406	0.6%	\$11,794	Timing Lag between US & Guate Postings
TOTAL U.S. Donations	Q805,350	100.0%	Q706,144	14.0%	\$103,244	
Guatemala Donations						
Donations Received in Guatemala	Q0	0.0%	Q104,800	-100.0%	\$0	2013 "donation" of truck actually purchased in U.S.
TOTAL Guatemala Donations	Q0	0.0%	Q104,800	-100.0%	\$0	
Interest Earned	Q400	0.0%	Q402	-0.5%	\$51	
TOTAL INCOME	Q805,750	100.0%	Q811,346	-0.7%	\$103,295	
EXPENSES						
Salaries						
Base Salary	Q83,075	10.3%	Q76,152	9.1%	\$10,650	Increases matches COL increase
Bonus Salary July & December	Q13,845	1.7%	Q12,692	9.1%	\$1,775	Increases matches COL increase
Deferred Compensation	Q11,130	1.4%	Q11,880	-6.3%	\$1,427	Guatemalan "Unemployment" Fund
Total Salaries	Q108,050	13.4%	Q100,724	7.3%	\$13,852	
Benefits						
Medical Benefits	Q11,700	1.5%	Q11,415	2.5%	\$1,500	12% of Total Salaries
Total Benefits	Q11,700	1.5%	Q11,415	2.5%	\$1,500	
Professional Services						
Legal	Q950	0.1%	Q1,125	-15.6%	\$122	Fee for annual registration as NGO
Accounting	Q6,250	0.8%	Q6,400	-2.3%	\$801	Monthly auditing/Annual reporting to SAT
Total Professional Services	Q7,200	0.9%	Q7,525	-4.3%	\$923	

Asociacion Avivara

Profit & Loss Budget Overview

January through December 2014

	<u>Budget 2014</u>	<u>% of Total</u>	<u>Projected Actual 2013</u>	<u>% Change 2013-2014</u>	<u>Budget 2014</u>	<u>Notes</u>
Operations/Administration						
Office Supplies	Q1,500	0.2%	Q1,999	-25.0%	\$192	
Office Equipment	Q3,400	0.4%	Q10,181	-66.6%	\$436	2013 replacement of stolen items from truck
Telephone	Q7,200	0.9%	Q8,145	-11.6%	\$923	2013 phone upgrades
Hospitality/Visitors & Volunteers	Q1,200	0.1%	Q7,833	-84.7%	\$154	2013 AMHS costs handled differently this year
Taxes General	Q1,800	0.2%	Q1,827	-1.5%	\$231	
Miscellaneous Expenses	Q300	0.0%	Q286	4.9%	\$38	
Total Operations/Administration	Q15,400	1.9%	Q30,272	-49.1%	\$1,974	
Educational Grants						
Classroom Equipment	Q10,090	1.3%	Q9,913	1.8%	\$1,294	
Printing & Photocopies	Q6,520	0.8%	Q5,503	18.5%	\$836	
Classroom Furniture	Q12,600	1.6%	Q14,999	-16.0%	\$1,615	2013 Pacul Library
Teaching Materials	Q70,660	8.8%	Q68,618	3.0%	\$9,058	
Student Supplies	Q68,580	8.5%	Q58,916	16.4%	\$8,792	
Textbooks	Q19,920	2.5%	Q9,659	106.2%	\$2,554	
Teacher Workshops	Q8,000	1.0%	Q7,805	2.5%	\$1,026	
Breakfast Program	Q12,100	1.5%	Q12,057	0.4%	\$1,551	
Infrastrucure Projects	Q0	0.0%	Q39,554	-100.0%	\$0	2013 Pacul Library
Technology	Q15,300	1.9%	Q15,035	1.8%	\$1,961	
Other Materials	Q4,250	0.5%	Q5,126	-17.1%	\$545	2013 Pacul Library
Grants to After-School Centers	Q12,000	1.5%	Q12,000	0.0%	\$1,538	
Total Educational Grants	Q240,020	29.8%	Q259,184	-7.4%	\$30,770	

Asociacion Avivara Profit & Loss Budget Overview January through December 2014

	<u>Budget 2014</u>	<u>% of Total</u>	<u>Projected Actual 2013</u>	<u>% Change 2013-2014</u>	<u>Budget 2014</u>	<u>Notes</u>
Scholarships						
Primary (K-6) Scholaships	Q2,495	0.3%	Q1,525	63.6%	\$320	
Secondary (7-12) Scholarships						
Base Secondary Scholarships	Q94,600	11.7%	Q65,960	43.4%	\$12,128	Increase from 33 to 50 scholarships
Bonus Secondary Scholarships	Q6,600	0.8%	Q5,120	28.9%	\$846	
Secondary Technology Support	Q19,400	2.4%	Q17,275	12.3%	\$2,487	
Scholarship Distribution Meetings	Q9,850	1.2%	Q9,781	0.7%	\$1,263	
Total Secondary Scholarships	Q130,450	16.2%	Q98,136	32.9%	\$16,723	
University Scholaships						
Base University Scholarships	Q122,000	15.1%	Q70,025	74.2%	\$15,640	Increase from 12 to 18 scholarships
University Technology Support	Q25,195	3.1%	Q14,452	74.3%	\$3,230	
Total University Scholarships	Q147,195	18.3%	Q84,477	74.2%	\$18,870	
Becas Uspantan Scholarships	Q92,000	11.4%	Q92,056	-0.1%	\$11,794	
Total Scholarships	Q372,140	46.2%	Q276,194	34.7%	\$47,708	
Transportation & Delivery						
Vehicles						
Gasoline	Q19,420	2.4%	Q22,848	-15.0%	\$2,490	Diesel lower priced than gasoline
Vehicle Repairs	Q1,750	0.2%	Q8,294	-78.9%	\$224	Newer truck/fewer repairs
Vehicle Depreciation	Q22,900	2.8%	Q22,900	0.0%	\$2,936	20% of purchase value each year
Vehicle Insurance	Q5,820	0.7%	Q10,435	-44.2%	\$746	2013 excess due to truck theft
Vehicle Related Taxes	Q750	0.1%	Q2,022	-62.9%	\$96	2013 excess due to truck theft
Other Vehicle Expenses	Q600	0.1%	Q400	50.0%	\$77	
Total Vehicle Expense	Q51,240	6.4%	Q66,899	-23.4%	\$6,569	
Other Contracted Transportation	Q0	0.0%	Q2,911	-100.0%	\$0	2013 expenses during truck replacement
Total Transportation & Delivery	Q51,240	6.4%	Q69,810	-26.6%	\$6,569	
TOTAL EXPENSES	Q805,750	100.0%	Q755,124	6.7%	\$103,295	
NET OPERATING SURPLUS/LOSS	Q0	0.0%	Q56,222	-100.0%	\$0	2013 net surplus due to truck "donation" Without truck donation and concurrent truck-related losses, operating surplus would be closer to 0