

**Q2
2014**



Community Empowerment Network
Empowering Communities to Help Themselves

Community Empowerment Network empowers rural communities in the Brazilian Amazon to become more self-reliant by:

- Helping residents understand that they can solve their own problems
- Strengthening the skills and resources they need to lead their communities and build sustainable livelihoods
- Partnering with a wide range of organizations to remove obstacles, such as lack of energy or limited access to capital and markets, that could otherwise prevent their success

As result, communities and their residents are able to break the cycle of poverty and foster long-term, sustainable development.

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Condensed Statements of Activities (Unaudited)

| | Three-Months Ended | | Six-Months Ended | |
|-------------------------------------|--------------------|-----------------|------------------|-----------------|
| | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 |
| Revenues | | | | |
| Contributions | 37,388 | 13,295 | 66,134 | 44,153 |
| Product Sales | - | 60 | - | 157 |
| Other Sales | - | - | - | 3,998 |
| Total of Revenues | <u>37,388</u> | <u>13,555</u> | <u>66,134</u> | <u>34,954</u> |
| Cost of Goods Sold | 1 | 32 | 1 | 80 |
| Gross Profit | <u>37,387</u> | <u>13,322</u> | <u>66,134</u> | <u>48,229</u> |
| Expenses | | | | |
| Administrative | 5,969 | 8,107 | 11,646 | 15,440 |
| Fundraising | 6,823 | 2,820 | 10,343 | 9,692 |
| Programs | 3,436 | 5,294 | 6,758 | 23,688 |
| Total Expenses | <u>16,229</u> | <u>16,221</u> | <u>28,748</u> | <u>48,820</u> |
| Change in Assets | <u>21,158</u> | <u>(2,899)</u> | <u>37,386</u> | <u>(592)</u> |
| Unrestricted Net Assets, Beg. | (17,705) | (30,564) | (33,933) | (32,872) |
| Unrestricted Net Assets, End | <u>3,453</u> | <u>(33,463)</u> | <u>3,453</u> | <u>(33,463)</u> |

Condensed Balance Sheets (Unaudited)

| | June 30, 2014 | June 30, 2013 |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash | 4,231 | 3,451 |
| Other Current Assets | | |
| Accounts Receivable | - | - |
| Inventory Assets | 1,803 | 1,804 |
| Undeposited Funds | - | - |
| Total Other Current Assets | <u>1,803</u> | <u>1,804</u> |
| Total Current Assets | <u>6,034</u> | <u>5,255</u> |
| Total Assets | <u><u>6,034</u></u> | <u><u>5,225</u></u> |
| Liabilities & Equity | | |
| Liabilities | | |
| Long-term Liabilities | | |
| Loan Payable, Long-Term - R. Bortner | 722 | 28,271 |
| Prof. Fees Payable - R. Bortner | 1,860 | 10,448 |
| Total Long-term Liabilities | <u>2,582</u> | <u>38,718</u> |
| Total Liabilities | <u>2,582</u> | <u>38,718</u> |
| Net Assets - Unrestricted | <u>3,452</u> | <u>(33,463)</u> |
| Total Liabilities & Equity | <u><u>6,034</u></u> | <u><u>5,255</u></u> |

Condensed Statements of Cash Flows (Unaudited)

| | Six-months Ended | |
|---|---------------------|---------------------|
| | June 30, 2014 | June 30, 2013 |
| Cash Flows from Operating Activities | | |
| Change in Net Assets | 37,386 | (592) |
| Change in Operating Assets/Liabilities | | |
| Accounts Receivable | - | 240 |
| Inventories | 1 | (853) |
| Advances Received | - | (800) |
| Total Change in Operating Assets/Liabilities | <u>1</u> | <u>(1,413)</u> |
| Net Cash Provided by Operating Activities | 37,386 | (2,005) |
| Cash Flows from Financing Activities | | |
| Loans Payable | (36,466) | 4,098 |
| Net Cash Provided by Financing Activities | <u>(36,466)</u> | <u>4,098</u> |
| Net Increase (Decrease) in Cash | 921 | 2,094 |
| Cash Balance, Beg. | 3,310 | 1,357 |
| Cash Balance, End. | <u><u>4,231</u></u> | <u><u>3,451</u></u> |

Income by Sub-Class
Quarter Ended June 30, 2014

| | Administrative | | Fundraising | | | | Programs | | | Unclassified | TOTAL |
|---|----------------|------------------------|-------------|-------------------|--------------|---------------------|-----------------|-----------|-----------------|--------------|--------|
| | Marketing | Administrative - Other | VPP Program | General Donations | Total Online | Fundraising - Other | C Clear Project | Total CBT | Couro Ecologico | | |
| 4000 - Contributed Support | | | | | | | | | | | |
| 4010 - Individual Contributions | - | - | 1,433 | 100 | - | 4 | - | 45 | - | - | 1,582 |
| 4020 - Corporate Contributions | - | - | - | 426 | 125 | - | - | - | - | - | 551 |
| 4100 - Board Donations | | | | | | | | | | | |
| 4110 - Board - In-Kind Non-Labor | - | - | - | - | - | - | - | - | - | 21,307 | 21,307 |
| 4115 - Board - In-Kind Labor | - | 1,720 | - | - | - | 1,913 | - | - | - | - | 3,633 |
| 4100 - Board Donations - Other | - | - | - | 1 | - | - | - | - | - | - | 1 |
| Total 4100 - Board Donations | | 1,720 | - | 1 | - | 1,913 | - | - | - | 21,307 | 24,941 |
| 4150 - Donations In-Kind | | | | | | | | | | | |
| 4152 - Donations In-Kind Non-Labor | - | - | 356 | - | - | - | - | - | - | - | 356 |
| 4154 - Donations In-Kind Labor | - | 3,974 | - | - | - | 4,718 | 3 | 1,994 | 632 | - | 11,321 |
| Total 4150 - Donations In-Kind | - | 3,974 | 356 | - | - | 4,718 | 3 | 1,994 | 632 | - | 11,677 |
| Total 4000 - Contributed Support | - | 5,694 | 1,789 | 527 | 125 | 6,635 | 3 | 2,039 | 632 | 21,307 | 38,751 |
| Total Income | - | 5,694 | 1,789 | 527 | 125 | 6,635 | 3 | 2,039 | 632 | 21,307 | 38,751 |
| Cost of Goods Sold | | | | | | | | | | | |
| 5010 - Cost of Goods Sold | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Total COGS | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Net Income | - | 5,694 | 1,789 | 527 | 125 | 6,635 | 3 | 2,039 | 632 | 21,306 | 38,750 |
| % Total | 0% | 15% | 5% | 1% | 0% | 17% | 0% | 5% | 2% | 55% | |

Expenses by Sub-Class
Quarter Ended June 30, 2014

| | Administrative | | Fundraising | | | | | Programs | | | | Total |
|---|------------------------|-----------|-------------|-------------------|------------|-----------|----------------|-----------------|--------------|-------------------|------------|---------------|
| | Administrative - Other | Marketing | VPP Program | Fundraising Other | Amazon.com | Facebook | Planned Giving | C Clear Project | Jua Project | MicroHydrokinetic | Tourism | |
| 7500 · General & Administrative | | | | | | | | | | | | |
| 7510 · Fundraising Expenses | - | - | 20 | - | - | - | - | - | - | - | - | 20 |
| 7540 · Professional fees - other | 5,694 | - | - | 6,631 | - | - | - | 635 | 1,765 | - | 229 | 14,954 |
| 7560 · Professional fees - Officers | - | - | - | - | - | - | - | 476 | 196 | 40 | 95 | 807 |
| Total 7500 · General & Administrative | 5,694 | - | 20 | 6,631 | - | - | - | 1,112 | 1,961 | 40 | 323 | 15,781 |
| 8100 · Non-personnel expenses | | | | | | | | | | | | |
| 8110 · Supplies | 14 | - | - | - | - | - | - | - | - | - | - | 14 |
| 8115 · Computer Expense | 2 | - | - | - | - | - | - | - | - | - | - | 2 |
| 8130 · Telephone & telecommunications | 91 | - | 5 | 50 | 5 | 10 | - | - | - | - | - | 162 |
| 8140 · Postage, shipping, delivery | 1 | - | - | - | - | - | - | - | - | - | - | 1 |
| 8170 · Printing & copying | 2 | - | 34 | - | - | - | - | - | - | - | - | 37 |
| 8180 · Books, subscriptions, reference | - | 39 | - | - | - | - | - | - | - | - | - | 39 |
| Total 8100 · Non-personnel expenses | 111 | 39 | 39 | 50 | 5 | 10 | - | - | - | - | - | 255 |
| 8300 · Travel, Entertainment, Meetings | | | | | | | | | | | | |
| 8355 · Meals & Entertainment | 45 | - | - | - | - | - | - | - | - | - | - | 45 |
| 8370 · Ground Transport - Local | 5 | - | - | 3 | - | - | - | - | - | - | - | 8 |
| Total 8300 · Travel, Entertainment, Meetings | 50 | - | - | 3 | - | - | - | - | - | - | - | 53 |
| 8500 · Misc expenses | | | | | | | | | | | | |
| 8505 · Bank Fees | - | - | - | 4 | - | - | 1 | - | - | - | - | 5 |
| 8530 · Membership dues - organization | 50 | - | - | - | - | - | - | - | - | - | - | 50 |
| Total 8500 · Misc expenses | 50 | - | - | 4 | - | - | 1 | - | - | - | - | 55 |
| 8600 · Business expenses | | | | | | | | | | | | |
| 8650 · Business License & Fees | 25 | - | - | 60 | - | - | - | - | - | - | - | 85 |
| Total 8600 · Business expenses | 25 | - | - | 60 | - | - | - | - | - | - | - | 85 |
| Total Expenses | 5,930 | 39 | 59 | 6,748 | 5 | 10 | 1 | 1,112 | 1,961 | 40 | 323 | 16,229 |
| % Total | 37% | 0% | 0% | 42% | 0% | 0% | 0% | 7% | 12% | 0% | 2% | |

Notes to Consolidated Financial Statements (Unaudited)
For the Quarter Ended June 30, 2014

1. Organization

The Community Empowerment Network (“CEN”) is a US-based non-profit which empowers rural communities in developing countries by helping residents build basic life skills, habits and mind-sets to become more self-reliant, and then collaborating closely with residents, their leaders, government and other partners to offer a range of business development services and break down structural barriers so residents can build sustainable livelihoods and improve their quality of life. These efforts break the cycle of poverty, and foster long-term, sustainable development.

CEN is headquartered near Bellingham, Washington. The organization is funded through grants, fund-raising events, and Board donations, as well as by advances in the forms of notes payable to its founder and executive director, Robert Bortner.

CEN’s efforts have been focused primarily on the Brazilian Amazon.

2. Summary of Significant Accounting Policies

a. Basis of Financial Presentation

CEN’s financial statements have been prepared on the accrual basis of accounting. Contributions are recognized as revenues in the period in which they are committed and the board believes that receipt is more likely than not to occur.

b. Cash

Cash consists substantially of U.S.-denominated demand deposits. The organization periodically carries Brazilian Real for which balances are *de minimus*.

c. Inventories

Inventory consists of items available for sale on the CENShop online store. Inventory is reported at cost, with no impairments deemed appropriate by the board.

d. Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over estimated useful lives of the assets. For all periods presented, CEN’s property and equipment consisted of computer software with a cost of \$4,013, which was fully depreciated.

e. Notes Payable

Notes payable relate to expenses and services rendered by CEN’s executive director for which cash payment has not yet been made. Amounts payable are classified in full as non-current due to uncertainty as to the timing of payments.

The note executed with the executive director is non-interest-bearing. Its balance has not been discounted to present value, nor accreted thereafter, due to uncertainty regarding its repayment schedule.

f. Contributed Services

Services contributed by volunteers are recognized at fair value as non-monetary, in-kind donations and expenses if such services require particular skills needed by the organization, and if such skills would need to be purchased if not donated. CEN applies values for contributed hours from sources deemed by management to represent not-for-profit rates of pay for positions of similar responsibility.

Donations of in-kind services totaled \$14,954 in the Q2 of 2014, or 40% of the total revenues for the quarter. 21% of all expenses including in-kind services were spent on programs, 37% on administration, and 42% on

fundraising. Excluding in-kind services, however, 63% of expenses were spent on programs, 22% on administration, and 15% on fundraising in Q2. We feel this is a better measure of success using our donor support responsibly because it more accurately reflects the value of the expenses to which monetary donations are spent. Although CEN's program expense usually exceed 70% of total expenses in most quarters, they represented a somewhat smaller share of overall expense in Q2. This was primarily due the winding down of our involvement in the Eixo Forte Community-based Tourism Project and ramping up our resources dedicated to other initiatives.

g. Tax-exempt Status

CEN is exempt from federal income taxes under Internal Revenue Code section 501(c)(3).

h. Presentation of Expenses

Administrative expenses relate to costs incurred in the operation of the organization and in the effort of obtaining grants and other funding.

Program expenses relate to discrete projects. A program is a unique service with specific resources that is executed by a team and for which direct financial support is sought. A program is deemed to commence when a budget, team-based organization, and work breakdown structure have been created and the Board of Directors has approved its execution. Costs are allocated between programs and administration based on management's judgment.

3. Related Parties

CEN's principal liability is to its founder and executive director, Robert Bortner, from whom contributions are also received from time to time. For additional information, see note 2(e) above.