



AMERICAN NICARAGUAN FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020



A Correspondent Firm of PKF International Limited
Doral, Florida

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AMERICAN NICARAGUAN FOUNDATION, INC.
DECEMBER 31, 2021 AND 2020

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A Correspondent Firm of PKF International Limited

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
American Nicaraguan Foundation, Inc.**

Opinion

We have audited the accompanying financial statements of American Nicaraguan Foundation, Inc. ("ANF," "the Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Nicaraguan Foundation, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Nicaraguan Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Substantial Doubt about the Foundation's Ability to Continue as a Going Concern - The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 1 to the financial statements, the Foundation's principal operating activities have been supporting various projects in Nicaragua, and has been dependent mainly on one donor to fund ongoing projects, specifically designated for Nicaragua. On May 11, 2022, the Board of Directors consented to a complete liquidation and dissolution of its business affairs in Nicaragua. These factors raises substantial doubt about the Foundation's ability to continue as a going concern. The Foundation's continuation as a going concern is dependent on its ability to centralizing its operations from the offices in Florida, and continue receiving the support from its principal donors. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to this matter.

Other Receivables - As discussed in Note 8 to the financial statements, ANF has certain refundable tax receivables from the Nicaraguan General Directorate of Revenue, there is uncertainty relating to the timing of its recovery due to the extensive processes by the governmental agency. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

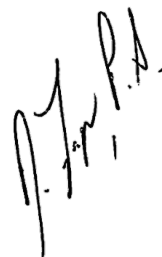
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Miami, Florida – June 16, 2022

A handwritten signature in black ink, appearing to read "P. J. P.A.", is written over the date. The signature is stylized and slanted.

STATEMENTS OF FINANCIAL POSITION

AMERICAN NICARAGUAN FOUNDATION, INC.
DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 4,436,556 | \$ 3,629,293 |
| Investments | 1,007,574 | 2,284,994 |
| Contributions receivable | 358,135 | 75,338 |
| Inventories | 179,175 | 641,750 |
| Total current assets | 5,981,440 | 6,631,375 |
| Other receivables | 195,804 | 425,798 |
| Property and equipment, net | 1,386,321 | 1,254,680 |
| Other assets | 52,360 | 56,778 |
| Total Assets | \$ 7,615,925 | \$ 8,368,631 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Deferred revenues | \$ 2,414,431 | \$ 2,698,204 |
| Accounts payable and accrued expenses | 332,849 | 303,480 |
| Total liabilities | 2,747,280 | 3,001,684 |
| Net Assets: | | |
| Without donor restrictions: | | |
| Quasi-endowment fund | 1,000,000 | 1,000,000 |
| Undesignated | (1,094,075) | (581,201) |
| | (94,075) | 418,799 |
| With donor restrictions | 4,962,720 | 4,948,148 |
| Total net assets | 4,868,645 | 5,366,947 |
| Total Liabilities and Net Assets | \$ 7,615,925 | \$ 8,368,631 |

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

AMERICAN NICARAGUAN FOUNDATION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue | | | |
| In-kind contributions | \$ 1,107,573 | \$ - | 1,107,573 |
| Cash contributions and other | 3,084,023 | 6,575,174 | 9,659,197 |
| Net assets released from restrictions | 6,560,602 | (6,560,602) | - |
| Total revenues | 10,752,198 | 14,572 | 10,766,770 |
| Expenses | | | |
| Program expenses | 9,548,253 | - | 9,548,253 |
| Administrative expenses | 1,394,552 | - | 1,394,552 |
| Fundraising | 322,267 | - | 322,267 |
| Total expenses | 11,265,072 | - | 11,265,072 |
| Change in net assets | (512,874) | 14,572 | (498,302) |
| Net assets at beginning of the year | 418,799 | 4,948,148 | 5,366,947 |
| Net assets at end of the year | \$ (94,075) | \$ 4,962,720 | \$ 4,868,645 |

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

AMERICAN NICARAGUAN FOUNDATION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue | | | |
| In-kind contributions | \$ 2,462,677 | \$ - | \$ 2,462,677 |
| Cash contributions and other | 2,445,282 | 3,717,374 | 6,162,656 |
| Donated shipping and handling | - | - | - |
| Net assets released from restrictions | 3,421,267 | (3,421,267) | - |
| Total revenues | 8,329,226 | 296,107 | 8,625,333 |
| Expenses | | | |
| Program expenses | 12,781,912 | - | 12,781,912 |
| Administrative expenses | 1,728,467 | - | 1,728,467 |
| Fundraising | 290,860 | - | 290,860 |
| Total expenses | 14,801,239 | - | 14,801,239 |
| Change in net assets | (6,472,013) | 296,107 | (6,175,906) |
| Net assets at beginning of the year | 6,890,812 | 4,652,041 | 11,542,853 |
| Net assets at end of the year | \$ 418,799 | \$ 4,948,148 | \$ 5,366,947 |

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

AMERICAN NICARAGUAN FOUNDATION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | | <u>2020</u> |
|--|---------------------|-----------|------------------|
| Cash flows from operating activities | | | |
| Change in net assets | \$ (498,302) | \$ | (6,175,906) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | | |
| Depreciation | 145,018 | | 137,199 |
| Provisions for doubtful accounts - other receivables | 229,994 | | 102,919 |
| Effect of exchange rate changes | - | | 29,488 |
| Cash flows resulting from changes in: | | | |
| Inventories | 462,575 | | 5,618,564 |
| Contributions receivable | (282,797) | | 713,925 |
| Deferred revenue | (283,773) | | 1,297,472 |
| Accounts payable and accrued expenses | 29,369 | | (42,563) |
| Net cash from (used by) operating activities | (197,916) | | 1,681,098 |
| Cash flows from investing activities | | | |
| Change in investments | 1,277,420 | | 363,194 |
| Capital expenditures, net | (276,659) | | (30,850) |
| Other assets | 4,418 | | 31,574 |
| Net cash from investing activities | 1,005,179 | | 363,918 |
| Net change in cash and cash equivalents | 807,263 | | 2,045,016 |
| Cash and cash equivalents at the beginning of year | 3,629,293 | | 1,584,277 |
| Cash and cash equivalents at the end of year | \$ 4,436,556 | \$ | 3,629,293 |

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

AMERICAN NICARAGUAN FOUNDATION, INC.
DECEMBER 31, 2021 AND 2020

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: American Nicaraguan Foundation, Inc. (the "Foundation") is a not-for-profit Foundation established in the state of Florida in 1992. The Foundation was established principally to support the neediest sectors in Nicaragua by forging strategic alliances with domestic and foreign sponsors to procure funds, quality goods and products, and deliver this aid and educational programs to the ultimate recipient in Nicaragua through social service Foundations pre-qualified by the Foundation.

Basis of Reporting: The Foundation prepares its financial statements following principles generally accepted in the United States of America. In accordance with these principles for certain nonprofit Foundations, expenses are allocated into functional categories based on the ultimate purpose of the expenditure.

The Foundation applied ASC No. 958, *Not for Profit Entities*, for the recording of donations received, contributions made and for its financial statement presentation. Accordingly, the accompanying financial statements present balances and transactions based on the existence or absence of donor imposed restrictions. Consequently, the net assets of the Foundation and their changes are reported and classified as follows:

- *Without donor restriction net assets* are free of donor-imposed restrictions and include the effects of revenues, expenses, gain and losses that are not changes in net assets with donor restrictions. The Foundation's Board has designated a portion of its net assets without donor restrictions to function as an endowment, known as a quasi-endowment fund, that is functioning as an endowment that will be retained and invested rather than expended. As of December 31, 2021 and 2020, the Foundation has an outstanding quasi-endowment fund consisting of deposits and investments in financial institutions.
- *With donor restriction net assets* are those assets which has been temporarily restricted by donors. As of December 31, 2021 and 2020, and during the years then ended, the Foundation had no net assets held in perpetuity.

Going Concern: The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. The Foundation's principal operating activities have been supporting various projects in Nicaragua. As discussed in Note 14, on May 11, 2022, the Board of Directors consented to a complete liquidation and dissolution of its business affairs in Nicaragua. Additionally, the Foundation has been dependent mainly on one donor to fund ongoing projects, specifically designated for Nicaragua. These factors raised substantial doubt about the Foundation's ability to continue as a going concern.

The Foundation, plans on centralizing its operations from the offices in Florida to continue assisting the disadvantaged Nicaraguans, either in or outside Nicaragua, through grants to other Foundations that have a qualified structures to carry out social activities, and anticipates continue receiving the support of its principal donors. Management believes these actions will allow the Foundation to continue as a going concern. There is no guarantee the Foundation will be successful in achieving the plans. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents include deposits in financial institutions of unrestricted cash. For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains bank accounts at various financial institutions in the United States of America and Nicaragua.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Contributions receivable: Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the present value of their future cash flows as of the date of gift receipt and subsequently net of unamortized discounts and an allowance for uncollectible amounts. Amortization of the corresponding discount, when applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts is a valuation for probable incurred losses on donations. Receivables are charged against the allowance when management believes the uncollectibility of the receivable is confirmed.

Inventories: Inventories are comprised mainly of undistributed clothing, medical, educational and nutritional supplies, as well as inventories in transit and fundraising goods (Virtus I watches) used in fundraising activities. Inventories are stated at the lower of their estimated fair value or the fair value determined by the donor as of the date of donation, except for the Virtus I watches that are recorded at the lower of cost or estimated fair value.

Inventories of medical supplies that are subject to expiration dates on their use, as dictated by the manufacturer, are periodically monitored. Medical supplies that expire within two months of year-end are identified and considered obsolete, and a valuation reserve is established.

Investments: Investments are recorded at fair value with changes in fair value including interest and dividends are included in the statements of activities and changes in net assets.

Property and Equipment: Property and equipment are stated at cost if purchased or at their estimated fair value if received in donation. Property and equipment with a purchase price before taxes of \$100 or more are depreciated using the straight-line method over the estimated useful lives of the asset, which range from two to ten years. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the estimated useful lives of the asset.

Long-lived assets are evaluated for impairment on a yearly basis. No impairment losses on long-lived assets have been recognized in 2021 or 2020.

Deferred Revenues: Deferred revenue consists of restricted money received from various donors that has not yet been expended.

In-kind Contributions and Donations: The Foundation receives in-kind contributions and donations of medicine and medical supplies, clothing, educational supplies, nutritional supplies, shipping and handling and other items from individual donors, governments, and other Foundations. These contributions are recorded and valued as revenue at their estimated fair value based upon the Foundation's estimate of the wholesale values that would be received for selling the goods in their principal market. The Foundation principal market is the market where the donation originates, as there is no market in Nicaragua. -

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions and Donations: (continued)

In-kind contributions received are valued at their estimated wholesale value as provided by the donor at the date of donation or, in the absence of the donor's reasonable valuation, estimated by the Foundation using like-kind analyses and past donation history. The Foundation contributes these items to social service Foundations, principally in Nicaragua, and records these contributions as program expenses, at the fair value originally provided by the donor.

Refer to Note 2 - Concentrations and Credit Risk for further discussion of in-kind contributions.

Transactions in Foreign Currency: Transactions made in a currency other than the functional currency (US Dollar) are converted using the official rate in effect on the transaction date. As of the date of the financial statements, monetary assets and liabilities, which are expressed in a currency other than the functional currency, have been converted to US Dollars at the exchange rate in effect on the closing date.

Nonmonetary assets and liabilities are converted at their historical exchange rate. Differences arising from currency conversion is recorded as part of operating activities. Foreign currency losses for 2021 and 2020 were \$44,505 and \$165,319, respectively.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided. Actual results could differ from these estimates. The inventory valuation and fair values of financial instruments are particularly subject to change.

Functional expenses: The cost of providing the various activities of the Foundation has been summarized in note 10 on a functional basis. The schedule of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Support services include administration, accounting, facilities, public relations, and human resources. Most expenses are directly charged to the department/function incurring the expense. The expenses that are allocated include allocation of facility costs, which includes utilities, communications and rent and are allocated based on direct costs charged to each department/function. Administrative costs are allocated based on direct costs charged to each department/function.

Severance Pay Accrued: The division in Nicaragua is subject to local labor legislation, which requires certain severance payments to its personnel upon termination without cause. The statutory severance pay accrued is computed as follows: one month of salary for each of the first three years of employment, and twenty days of salary after the fourth year, with a minimum of one month and a maximum of five months' salary. As of December 31, 2021 and 2020, the Foundation had severance pay accrued totaling approximately \$204,801 and \$191,800, respectively, and is included in the accompanying statements of financial position.

New Accounting Standard – Leases: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases in the statements of financial position. The ASUs are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the methods of adoption allowed and the effect that adoption is expected to have on its financial position, changes in net assets, cash flows, and related disclosures.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standard – Contributed Nonfinancial Assets: In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The key provisions of ASU No. 2020-07 are 1) a requirement to present contributed nonfinancial assets as a separate line item in the statements of activities and 2) disclosure of contributed nonfinancial assets disaggregated by type, which includes information about monetization and utilization, donor restrictions, and the valuation techniques used. ASU No. 2020-07 should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the effect that adoption is expected to have on its statements of activities, functional expenses, and related disclosures.

Income Taxes: The Foundation has received determination of tax-exempt status from the U.S. Internal Revenue Service under Code Section 501(c)(3) and, consequently, the income generated from activities related to the Foundation's exempt purpose are not taxed and no provision for income taxes is included in the accompanying financial statements. The Foundation is also exempt from state income tax. There was no unrelated business income tax payable for the years ending December 31, 2021 and 2020. The Foundation has adopted ASC 958, *Not for Profit Entities*, which establishes a single model to address accounting for uncertainty in tax positions.

In Nicaragua, the Foundation is registered as a foreign not-for-profit Foundation exempt from income taxes in accordance with chapter (V), article (19), of Law No. 147: General Law of Non-profit Legal Entities (1992).

The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Generally, the Foundation is not subject to examination by U.S. taxing authorities for years prior to 2018. The Foundation is not subject to examination by Nicaraguan authorities for any year prior to 2014. If the Foundation were to recognize interest and penalties related to unrecognized tax benefits, these would be recorded as interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties as of December 31, 2021 and 2020.

NOTE 2 - CONCENTRATIONS AND CREDIT RISK

The socio-political constraints in Nicaragua continues to affect the importation and distribution of donations in-kind, causing difficulties in the execution and expansion of programs.

For the years ended December 31, 2021 and 2020, approximately 86% and 21%, respectively, of cash donations came from a single donor (a not-for-profit Foundations in the United States of America), and approximately 88% of total contributions received during 2021 and 34% for 2020, were contributed by two donors.

There is uncertainty relating to the timing of the recovery of certain value added tax receivables (see Note 8).

The Foundation has several bank accounts that exceed the insurance provided by the Federal Deposit Insurance Corporation (FDIC). In addition, has uninsured deposits in foreign financial institutions.

NOTE 3 – LIQUIDITY AND AVAILABILITY

As of December 31, 2021, financial assets available within one year of the balance sheet date for general expenditure were as follows:

| | <u>2021</u> | | <u>2020</u> |
|---------------------------|---------------------|-----------|------------------|
| Cash and cash equivalents | \$ 4,436,556 | \$ | 3,629,293 |
| Investments | 1,007,574 | | 2,284,994 |
| Contributions receivable | 358,135 | | 75,337 |
| | <u>\$ 5,802,265</u> | <u>\$</u> | <u>5,989,624</u> |

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenses over a 12-month period, the Foundation considers all expenses related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenses.

Contributions receivable includes the portion of the receivables expected to be received within one year.

The investments amount listed above represents assets that could be converted to cash on a short-term basis and thus are available to support cash flow needs and operations. However, the Foundation has adopted a policy of funding administrative expenses from the total return from its investments over the long term and in practice also seeks to fund development expenses from these returns. This policy requires the Foundation to maintain investment portfolios that generate sufficient returns to fund these expenses. Accordingly, the Foundation has no plans to liquidate the investments until approved by the Board of Directors.

NOTE 4 - INVESTMENTS

Investments consisted of the following:

| | <u>2021</u> | | <u>2020</u> |
|-------------------------|---------------------|-----------|------------------|
| Fixed income securities | \$ 1,007,574 | \$ | 2,153,630 |
| Mutual funds | - | | 131,364 |
| | <u>\$ 1,007,574</u> | <u>\$</u> | <u>2,284,994</u> |

NOTE 5 - FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTE 5 - FAIR VALUE (Continued)

Cash and Cash Equivalents: The fair value of cash and cash equivalents re-price frequently and fully. Carrying amount approximates the estimated fair value and the Foundation has the ability to value these financial instruments based on active markets (Level 1).

Investments: The fair values of securities and other investments are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Mutual funds are recorded at fair value with changes in fair value included in cash contributions and other in the statements of activities and changes in net assets and are considered Level 1. At December 31, 2021, there were no balance in Mutual Funds.

Fixed income securities which amount to \$1,007,574 as of December 31, 2021, are recorded at fair value with changes in fair value included in cash contributions and other in the statements of activities and changes in net assets and are considered Level 2.

There were no transfers between Levels 1 and 2 during 2021 and 2020. There were no level 3 securities as of December 31, 2021.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Included in contributions receivables are the following unconditional promises to receive, all due within one year:

| | <u>2021</u> | | <u>2020</u> |
|---------------------------------------|-------------------|----|---------------|
| Fund raising gala | \$ 31,702 | \$ | 72,096 |
| Programs contributions | 325,537 | | 3,219 |
| Other | 896 | | 23 |
| | <u>358,135</u> | | <u>75,338</u> |
| Less: Allowance for doubtful accounts | - | | - |
| | <u>\$ 358,135</u> | \$ | <u>75,338</u> |

NOTE 7 - INVENTORIES

As of December 31, inventories consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------------|-------------------|
| Medicine and medical supplies | \$ 1,485 | \$ 34,910 |
| Dried and processed foods | 5,808 | 225,514 |
| Household goods | - | 12,275 |
| Educational supplies | - | 221 |
| Clothing | 4,122 | 61,269 |
| Virtus I watches | 167,760 | 307,560 |
| | <u>\$ 179,175</u> | <u>\$ 641,749</u> |

There was no balance at year-end and no activity during the years ended December 31, 2021 and 2020 in the allowance for obsolescence.

NOTE 8 – OTHER RECEIVABLES

As of December 31, other receivable consisted of the following:

| | | |
|------------------------------|-------------------|-------------------|
| Value added tax claims: | | |
| 2012 | \$ 56,667 | \$ 56,667 |
| 2013 | 32,500 | 32,500 |
| 2014 | 172,613 | 172,613 |
| 2015 | 219,543 | 219,543 |
| 2016 | 157,684 | 157,684 |
| 2017 | 22,843 | 22,843 |
| | <u>661,850</u> | <u>661,850</u> |
| Exchange Differential (2020) | (29,488) | (29,488) |
| Less: Valuation allowance | (436,559) | (206,564) |
| | <u>\$ 195,804</u> | <u>\$ 425,798</u> |

Value added tax claims are prepaid taxes to the Nicaragua General Directorate of Revenue and are under administrative procedures pending refund resolution from the governmental agency. ANF believes there is uncertainty relating to the timing of its recovery due to the extensive processes by the governmental agency.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2021 and 2020:

| | Estimated Useful Lives (years) | 2021 | 2020 |
|---|---|---------------------|---------------------|
| Land for future development | | \$ 222,524 | \$ 222,524 |
| Leasehold improvements | 5 | 638,099 | 460,278 |
| Building | 20 | 912,705 | 912,705 |
| Equipment | 2 - 5 | 446,217 | 383,293 |
| Vehicles and other | 2 - 5 | 358,108 | 309,824 |
| | | 2,577,653 | 2,288,624 |
| Less: Accumulated depreciation and amortization | | (1,191,332) | (1,033,944) |
| | | \$ 1,386,321 | \$ 1,254,680 |

NOTE 10 - FUNCTIONAL EXPENSES

| 2021 | Program Expenses | | | Total Program | Administrative | Fundraising | Total |
|-----------------------|--|---------------------------|---------------------------|--------------------------|---------------------|-------------------|----------------------|
| | Goods Distributed and Services Donated | Program Implementation | Project Implementation | | | | |
| Contributions | \$ 1,585,779 | \$ 3,487 | \$ 6,560,604 | \$ 8,149,870 | \$ - | \$ - | \$ 8,149,870 |
| Salaries | 92,049 | 173,342 | 362,044 | 627,435 | 515,277 | 122,951 | 1,265,663 |
| Employee benefits | 44,239 | 86,227 | 174,473 | 304,939 | 195,123 | 41,343 | 541,405 |
| Duties | - | - | - | - | - | - | - |
| Professional services | 13,103 | 15,139 | 37,740 | 65,982 | 82,491 | 49,340 | 197,813 |
| Utilities | 3,541 | 6,187 | 13,508 | 23,236 | 11,954 | 1,864 | 37,054 |
| Communications | 4,463 | 8,526 | 16,822 | 29,811 | 19,765 | 4,030 | 53,606 |
| Rent | 15,581 | 18,258 | 15,787 | 49,626 | 21,518 | 57,099 | 128,243 |
| Travel | 1,574 | 6,571 | 12,616 | 20,761 | 7,892 | 5,397 | 34,050 |
| Maintenance | 5,938 | 7,005 | 18,073 | 31,016 | 17,518 | 3,330 | 51,864 |
| Fuel & Oil | 908 | 4,116 | 1,641 | 6,665 | 6,894 | 1,669 | 15,228 |
| Supplies | 5,278 | 40,509 | 2,899 | 48,686 | 9,148 | 7,679 | 65,513 |
| Financial costs | - | - | - | - | 57,797 | - | 57,797 |
| Depreciation expense | 10,642 | 22,706 | 33,030 | 66,378 | 64,373 | 14,267 | 145,018 |
| Foreign currency loss | - | - | - | - | 44,505 | - | 44,505 |
| Other expenses | 23,191 | 41,769 | 58,888 | 123,848 | 340,297 | 13,298 | 477,443 |
| Total | \$ 1,806,286 | \$ 433,842 | \$ 7,308,125 | \$ 9,548,253 | \$ 1,394,552 | \$ 322,267 | \$ 11,265,072 |

NOTE 10 - FUNCTIONAL EXPENSES (Continued)

| 2020 | Program Expenses | | | Total Program | Administrative | Fundraising | Total |
|-----------------------|--|---------------------------|---------------------------|----------------------|---------------------|-------------------|----------------------|
| | Goods Distributed and Services Donated | Program Implementation | Project Implementation | | | | |
| Contributions | \$ 8,081,241 | \$ 10,484 | \$ 3,421,268 | \$ 11,512,993 | \$ - | \$ - | \$ 11,512,993 |
| Salaries | 95,617 | 146,107 | 351,801 | 593,525 | 503,625 | 125,151 | 1,222,301 |
| Employee benefits | 37,428 | 49,704 | 129,986 | 217,118 | 140,983 | 44,492 | 402,593 |
| Duties | 24,858 | - | - | 24,858 | - | - | 24,858 |
| Professional services | 6,914 | 11,871 | 15,621 | 34,406 | 115,486 | 22,395 | 172,287 |
| Utilities | 4,140 | 6,298 | 12,093 | 22,531 | 14,618 | - | 37,149 |
| Communications | 5,613 | 7,522 | 16,390 | 29,525 | 19,939 | 7,973 | 57,437 |
| Rent | 3,051 | 13,061 | 12,805 | 28,917 | 16,825 | 54,587 | 100,329 |
| Travel | 1,373 | 4,494 | 13,940 | 19,807 | 9,931 | 1,452 | 31,190 |
| Maintenance | 10,702 | 4,841 | 17,429 | 32,972 | 16,026 | 3,058 | 52,056 |
| Fuel & Oil | 972 | 3,100 | 2,839 | 6,911 | 4,647 | 939 | 12,497 |
| Supplies | 6,108 | 5,397 | 33,921 | 45,426 | 13,360 | 1,733 | 60,519 |
| Financial costs | - | - | - | - | 406,128 | - | 406,128 |
| Depreciation expense | 10,300 | 18,586 | 33,216 | 62,102 | 61,298 | 13,799 | 137,199 |
| Foreign currency loss | - | - | - | - | 165,319 | - | 165,319 |
| Other expenses | 30,836 | 54,050 | 65,935 | 150,821 | 240,282 | 15,281 | 406,384 |
| Total | \$ 8,319,153 | \$ 335,515 | \$ 4,127,244 | \$ 12,781,912 | \$ 1,728,467 | \$ 290,860 | \$ 14,801,239 |

NOTE 11 - COMMITMENTS

In October 2020, the Foundation had extended its operating land lease in Nicaragua for eight years. The Foundation built its warehouse and administrative offices on the leased land. Subsequent to the balance sheet date, on February 28, 2022, in a mutual consent, the Foundation and the landlord agreed to terminate the lease.

The Miami office had a lease that expired September 2021, with monthly payments of approximately \$2,800, and was subleased for approximate that same amount.

Rent expense under these operating lease agreements are recognized as fund raising expenses and amounted to approximately \$57,099 and \$54,587 for the years ended 2021 and 2022, respectively.

NOTE 12 - TRANSACTIONS WITH RELATED PARTIES

Up to November 2020, various members of the Board of Directors of the Foundation were also members of the board of a United States bank where the Foundation maintains bank accounts. As of December 31, 2021 and 2020, cash and other investments deposited in such bank amounted to approximately \$2,616,000 and \$3,395,000, respectively.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESCTRITION

The components and changes in net assets with donor restrictions for the years ended December 31, 2021 and 2020 is as follows:

| | <u>Housing</u> | <u>Other(*)</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Balance as of January 1, 2020 | \$ 3,316,486 | \$ 1,335,555 | \$ 4,652,041 |
| Restricted funds received during the year 2020 | 1,073,813 | 2,643,561 | 3,717,374 |
| Restricted net assets released during the year 2020 | (896,609) | (2,524,659) | (3,421,268) |
| Balance as of December 31, 2020 | \$ 3,493,690 | \$ 1,454,457 | \$ 4,948,148 |
| Restricted funds received during the year 2021 | 4,111,369 | 2,463,805 | 6,575,174 |
| Restricted net assets released during the year 2021 | (4,103,937) | (2,456,665) | (6,560,602) |
| Balance as of December 31, 2021 | \$ 3,501,122 | \$ 1,461,597 | \$ 4,962,720 |

Restricted net assets are released from donor restrictions when the restricted assets are expended in satisfaction of the restricted purpose or by the occurrence of other events, as specified by the donors.

(*) Other restricted funds in 2021 and 2020 include a variety of diverse programs and projects with costs of less than \$200,000.

NOTE 14 – SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through June 16, 2022, the date the financial statements were available to be issued.

Subsequent to year end, on May 11, 2022, the Board of Directors consented to discontinue its operations in Nicaragua. The Plan consist of a complete liquidation and dissolution, and contemplates an orderly wind up of the Foundation's business affairs in Nicaragua, which includes the sale, transfer or other disposition or monetization of its assets, and the satisfaction or settlement of its liabilities and obligations, including contingent liabilities and claims. Management may contract with one or more third parties to assist the Foundation in selling its non-cash assets on such terms as are approved by the Board in the best interests of its beneficiaries. Management may conduct sales by any means, including by competitive bidding or private negotiations, to one or more purchasers in one or more transactions over a period of time, however there is no assurance that these assets will be able to be sold at all, or in a timely manner. As of the date of this report, management have not accessed the estimated net realizable value of its assets based on current contracts, estimates and other indications of sales value net of estimated selling costs, and estimates of costs associated with implementing the Plan of Complete Liquidation and Dissolution of Nicaragua operations.

Subsequent to year-end, the United States and global markets experienced significant declines in value of investments resulting from uncertainty caused by the world-wide coronavirus pandemic. Management is closely monitoring the investment portfolio and its liquidity and are actively working to minimize the impact of these declines. The financial statements do not include adjustments to fair value that might have resulted from these declines.



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