



AMERICAN NICARAGUAN FOUNDATION, INC.
Miami, Florida

FINANCIAL STATEMENTS

2019 - 2018



Doral, Florida

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AMERICAN NICARAGUAN FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Nicaraguan Foundation, Inc. ("ANF"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements. The financial statements of ANF as of December 31, 2018, were audited by other auditors whose report dated June 6, 2019, expressed an unqualified opinion on those 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. 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 American Nicaraguan Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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.

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Our opinion is not modified with respect to these matters.

Miami, Florida - March 24, 2020

STATEMENTS OF FINANCIAL POSITION

AMERICAN NICARAGUAN FOUNDATION, INC.
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,584,277	\$ 1,388,557
Interest bearing deposits in financial institution	-	1,650,000
Investments	2,648,188	1,011,335
Contributions receivable	789,263	1,024,555
Inventories	6,260,314	4,325,451
Total current assets	11,282,042	9,399,898
Other receivables	558,205	558,205
Property and equipment, net	1,361,029	1,495,932
Other assets	88,352	71,301
Total Assets	\$ 13,289,628	\$ 11,525,336
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,746,775	\$ 2,109,473
Net Assets:		
Without donor restrictions:		
Quasi-endowment fund	1,000,000	1,000,000
Undesignated	5,890,812	4,542,338
	6,890,812	5,542,338
With donor restrictions	4,652,041	3,873,525
Total net assets	11,542,853	9,415,863
Total Liabilities and Net Assets	\$ 13,289,628	\$ 11,525,336

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
In-kind contributions	\$ 7,796,984	\$ -	\$ 7,796,984
Cash contributions and other	2,282,311	5,307,577	7,589,888
Donated shipping and handling	73,227	-	73,227
Net assets released from restrictions	4,529,061	(4,529,061)	-
Total revenues	14,681,583	778,516	15,460,099
Expenses			
Program expenses	11,881,741	-	11,881,741
Administrative expenses	1,181,159	-	1,181,159
Fundraising	270,209	-	270,209
Total expenses	13,333,109	-	13,333,109
Change in net assets	1,348,474	778,516	2,126,990
Net assets at beginning of the year	5,542,338	3,873,525	9,415,863
Net assets at end of the year	\$ 6,890,812	\$ 4,652,041	\$ 11,542,853

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, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
In-kind contributions	\$ 32,564,827	\$ -	\$ 32,564,827
Cash contributions and other	2,728,026	5,323,621	8,051,647
Donated shipping and handling	862,278	-	862,278
Net assets released from restrictions	4,582,224	(4,582,224)	-
Total revenues	40,737,355	741,397	41,478,752
Expenses			
Program expenses	54,911,786	-	54,911,786
Administrative expenses	1,624,791	-	1,624,791
Fundraising	381,439	-	381,439
Total expenses	56,918,016	-	56,918,016
Change in net assets	(16,180,661)	741,397	(15,439,264)
Net assets at the beginning of year	21,722,999	3,132,128	24,855,127
Net assets at the end of year	\$ 5,542,338	\$ 3,873,525	\$ 9,415,863

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 2,126,990	\$ (15,439,264)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	162,121	138,958
Cash flows resulting from changes in:		
Inventories	(1,934,863)	15,368,631
Contributions receivable	235,292	(10,082)
Accounts payable and accrued expenses	(362,698)	(83,838)
Net cash from operating activities	226,842	(25,595)
Cash flows from investing activities		
Change in interest bearing deposit in financial institution	1,650,000	509,743
Purchases of investments	(1,636,853)	(1,011,335)
Capital expenditures, net	(27,218)	(308,286)
Other assets	(17,051)	(7,336)
Net cash from investing activities	(31,122)	(817,214)
Net change in cash and cash equivalents	195,720	(842,809)
Cash and cash equivalents at the beginning of year	1,388,557	2,231,366
Cash and cash equivalents at the end of year	\$ 1,584,277	\$ 1,388,557

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

AMERICAN NICARAGUAN FOUNDATION, INC.
DECEMBER 31, 2019 AND 2018

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: American Nicaraguan Foundation, Inc. (the "Foundation") is a not-for-profit organization 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 organizations pre-qualified by the Foundation.

The Foundation operates a division in Nicaragua, "Asociación Nicaraguense de Fomento Social", for the purpose of serving as the local organization of the Foundation to raise funds and support the Foundation's activities within the country.

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 organizations, 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, 2019 and 2018, 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, 2019 and 2018, and during the years then ended, the Foundation had no permanently restricted net assets.

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.

Interest-Bearing Deposits in Financial Institution: Interest-bearing deposits in financial institution mature within a year and are carried at cost plus accrued interests, which approximates fair value.

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.

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

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 2019 or 2018.

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 organizations. 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. 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 organizations, principally in Nicaragua, and records these contributions as program expenses, at the fair value originally provided by the donor.

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.

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

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 2019 and 2018 were \$171,184 and \$203,307, 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 present 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, 2019 and 2018, the Foundation had severance pay accrued totaling approximately \$192,000 and \$222,000, respectively, and is included in the accompanying statements of financial position.

Recent Accounting Pronouncement: In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made as of January 1, 2019. ASU No. 2018-08 improves the current guidance on determining whether transactions are contributions or exchange transactions. It also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Foundation has implemented the provisions of ASU No. 2018-08 in the financial statements on a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU No. 2018-08.

Recent accounting guidance: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers: Topic 606. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 31, 2019. The Foundation expects to complete the implementation this new standard during 2020, and is in the process of assessing the effect to the financial statements.

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

In February 2016, the Financial Accounting Standards Board (FASB) issued its new lease accounting guidance under which lessees will be required to recognize at the commencement date for all leases (with the exception of short-term leases): (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. The amendments in ASU 2020-05 extended the effective date of this standard to fiscal years beginning after December 15, 2021, with early application permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Foundation is currently evaluating the effect that the updated standard will have on the financial statements.

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, 2019 and 2018. 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 and Asociación Nicaragüense Americana de Fomento Social are not-for-profit organizations exempt from income taxes in accordance with article (11), subparagraph (4) of the Equitable Tax Law.

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 2016. The Foundation is not subject to examination by Nicaraguan authorities for any year prior to 2012. 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, 2019 and 2018.

Subsequent Events: In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America and Nicaragua. The extent of the impact of COVID-19 on the operational and financial performance of the Organization will depend on certain developments, including the duration and spread of the outbreak, impact on the contributors and vendors of the Organization, all of which are uncertain and cannot be predicted. At the date of issuance of the financial statements, the extent to which COVID-19 may affect the financial condition or results of operations of the Organization is uncertain.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net assets and changes in net assets.

NOTE 2 - CONCENTRATIONS AND CREDIT RISK

The socio-political constraints in Nicaragua continues to affect the releasing of imported goods into the country. ANF has agreed with the principal in-kind donor to ship goods on as-per-released basis. In the agreement, only after the Nicaraguan customs has released previous shipments can the donor ship additional goods. This is affecting the distribution of donations in-kind, causing difficulties in the execution and expansion of programs.

For the years ended December 31, 2019 and 2018, approximately 44% and 61%, respectively of cash donations came from a single donor (a not-for-profit organizations in the United States of America), and approximately 88% of total contributions received during 2019 and 96% for 2018, 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 and time deposits 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, 2019, financial assets available within one year of the balance sheet date for general expenditure were as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,584,277	\$ 1,388,557
Interest-bearing deposits in financial institution	-	650,000
Investments	1,648,188	1,011,335
Contributions receivable	789,263	1,024,555
	<u>\$ 4,021,728</u>	<u>\$ 4,074,447</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>2019</u>		<u>2018</u>
Fixed income securities	\$ 2,497,785	\$	996,827
Mutual funds	150,403		14,508
	<u>\$ 2,648,188</u>	\$	<u>1,011,335</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.

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).

Interest-Bearing Deposits in Financial Institution: Interest-bearing deposits in financial institution mature within a year and are carried at cost plus accrued interests. 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 which amount to \$150,403 as of December 31, 2019 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.

Fixed income securities which amount to \$2,497,785 as of December 31, 2019 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 2019 and 2018. There were no level 3 securities as of December 31, 2019.

NOTE 6 - RECEIVABLES

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

	<u>2019</u>	<u>2018</u>
Housing contributions	\$ 341,560	\$ 593,527
Fund raising gala	144,457	134,776
Programs contributions	195,259	41,399
Other	107,987	260,036
	<u>789,263</u>	<u>1,029,738</u>
Less: Allowance for doubtful accounts	-	(5,183)
	<u>\$ 789,263</u>	<u>\$ 1,024,555</u>

NOTE 7 - INVENTORIES

As of December 31, inventories consisted of the following:

	<u>2019</u>	<u>2018</u>
Medicine and medical supplies	\$ 1,772,008	\$ 239,582
Dried and processed foods	205,709	235,358
Household goods	49,579	533,144
Educational supplies	96	297,384
Clothing	122,378	138,919
Virtus I watches	391,440	419,400
Inventory in transit	3,719,104	2,461,664
	<u>\$ 6,260,314</u>	<u>\$ 4,325,451</u>

Inventory in transit were as follows:

Medicine and medical supplies	\$ 3,560,802	\$ 736,784
Dried and processed foods	74,894	318,542
Clothing	-	51,610
Household goods	83,408	1,354,728
	<u>\$ 3,719,104</u>	<u>\$ 2,461,664</u>

There was no balance at year-end and no activity during the years ended December 31, 2019 and 2018 in the allowance for obsolescence.

NOTE 8 – OTHER RECEIVABLES

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

	<u>2019</u>		<u>2018</u>
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>
Less: Valuation allowance	(103,645)		(103,645)
	<u>\$ 558,205</u>	\$	<u>558,205</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, 2019 and 2018:

	Estimated Useful Lives (years)	<u>2019</u>	<u>2018</u>
Land for future development		\$ 222,524	\$ 239,509
Leasehold improvements	5	448,528	437,572
Building	20	912,705	912,705
Equipment	2 - 5	345,277	350,688
Vehicles and other	2 - 5	323,950	337,602
		<u>2,252,984</u>	<u>2,278,076</u>
Less: Accumulated depreciation and amortization		(891,955)	(782,144)
		<u>\$ 1,361,029</u>	<u>\$ 1,495,932</u>

During 2019, the Foundation released land for development of \$16,985; and, recognized a loss of \$936 in disposition of equipment with original cost of \$53,246 and accumulated depreciation of \$52,310.

NOTE 10 - FUNCTIONAL EXPENSES

2019	Program Expenses			Total Program	Administrative	Fundraising	Total
	Goods Distributed and Services Donated	Program Implementation	Project Implementation				
Contributions	\$ 5,971,268	\$ 999,946	\$ 3,555,642	\$ 10,526,856	\$ -	\$ -	\$ 10,526,856
Salaries	88,606	143,975	369,158	601,739	449,558	116,997	1,168,294
Employee benefits	62,738	54,193	136,451	253,382	148,681	38,001	440,064
Duties	36,711	6,176	-	42,887	-	-	42,887
Professional services	12,448	13,186	26,637	52,271	71,784	12,235	136,290
Utilities	4,671	5,367	15,602	25,640	11,152	2,274	39,066
Communications	5,100	5,782	18,374	29,256	12,789	3,508	45,553
Rent	8,020	8,547	17,834	34,401	12,693	55,842	102,936
Travel	767	15,889	17,214	33,870	14,597	4,791	53,258
Maintenance	4,593	4,749	18,712	28,054	15,107	3,519	46,680
Fuel & Oil	2,170	2,011	979	5,160	5,389	927	11,475
Supplies	1,631	783	4,504	6,917	5,737	4,038	16,693
Financial costs	-	-	-	-	62,259	-	62,259
Depreciation expense	10,823	12,011	55,692	78,526	67,260	16,335	162,121
Foreign currency loss	-	-	-	-	171,184	-	171,184
Other expenses	41,999	41,602	79,181	162,782	132,969	11,742	307,493
Total	\$ 6,251,544	\$ 1,314,217	\$ 4,315,980	\$ 11,881,741	\$ 1,181,159	\$ 270,209	\$ 13,333,109

NOTE 10 - FUNCTIONAL EXPENSES (Continued)

2018	Program Expenses			Total Program	Administrative	Fundraising	Total
	Goods Distributed and Services Donated	Program Implementation	Project Implementation				
Contributions	\$ 48,650,717	\$ 542,363	\$ 4,092,780	\$ 53,285,860	\$ -	\$ -	\$ 53,285,860
Salaries	155,189	142,745	331,112	629,046	441,265	174,170	1,244,481
Employee benefits	59,042	54,704	131,202	244,948	137,250	62,555	444,753
Duties	208,967	-	134	209,101	-	-	209,101
Professional services	17,308	11,862	75,792	104,962	98,264	36,291	239,517
Utilities	6,095	4,420	11,822	22,337	9,665	2,174	34,176
Communications	7,024	5,535	16,421	28,980	12,767	6,202	47,949
Rent	9,431	6,658	17,295	33,384	9,795	52,046	95,225
Travel	507	13,950	14,600	29,057	19,374	1,505	49,936
Maintenance	13,027	6,917	15,091	35,035	15,425	4,177	54,637
Fuel & Oil	5,491	2,658	952	9,101	3,959	872	13,932
Supplies	3,789	2,037	4,561	10,387	8,109	5,071	23,567
Financial costs	-	-	-	-	263,643	-	263,643
Depreciation expense	14,518	11,926	45,647	72,091	53,502	13,365	138,958
Foreign currency loss	-	-	-	-	203,307	-	203,307
Other expenses	77,663	36,887	82,947	197,497	348,466	23,011	568,974
Total	\$ 49,228,768	\$ 842,662	\$ 4,840,356	\$ 54,911,786	\$ 1,624,791	\$ 381,439	\$ 56,918,016

NOTE 11 - COMMITMENTS

The Foundation has an operating land lease in Nicaragua. The Foundation built its warehouse and administrative offices on the leased land. The land lease calls for retroactive monthly lease payments of \$3,000 and expires in 2020. Furthermore, the lessor has recognized the investments made by the Foundation of \$191,447 in the form of leasehold improvements. Under the agreement, \$95,724 in leasehold improvements is deducted from the total rental payments through maturity. Monthly rent payment after amortizing leasehold improvements is approximately \$1,750. Contributed rent expense under this agreement totaled approximately \$128,000 and \$126,000 for the years ended 2019 and 2018, respectively and is included as in-kind contributions in the statement of activities and changes in net assets.

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

Rent expense under these operating lease agreements are recognized as fund raising expenses and amounted to approximately \$55,842 and \$52,046 for the years ended 2019 and 2018, respectively.

Future estimated minimum rental cash payments under these operating leases are

as follows:

Year ending December 31	
2020	\$ 51,684
2021	27,555
Total minimum payments required ^(a)	\$ 79,239

(a) Minimum payments have not been reduced by sublease rentals of \$69,559 due in the future under non-cancelable subleases.

NOTE 12 - TRANSACTIONS WITH RELATED PARTIES

Various members of the Board of Directors of the Foundation are also members of the board of a United States bank where the Foundation maintains bank accounts. As of December 31, 2019 and 2018, cash and other investments deposited in such bank amounted to approximately \$3,159,000 and \$1,079,000, respectively.

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

The components and changes in net assets with donor restrictions for the years ended December 31, 2019 and 2018, is as follows:

	<u>Housing</u>	<u>Other(*)</u>	<u>Total</u>
Balance as of January 1, 2018	\$ 2,467,855	664,273	3,132,128
Restricted funds received during the year 2018	1,969,325	3,354,296	5,323,621
Restricted net assets released during the year 2018	<u>(1,510,631)</u>	<u>\$ (3,071,593)</u>	<u>\$ (4,582,224)</u>
Balance as of December 31, 2018	\$ 2,926,549	\$ 946,976	\$ 3,873,525
Restricted funds received during the year 2019	1,888,502	3,419,075	5,307,577
Restricted net assets released during the year 2019	<u>(1,498,565)</u>	<u>(3,030,496)</u>	<u>(4,529,061)</u>
Balance as of December 31, 2019	<u>\$ 3,316,486</u>	<u>\$ 1,335,555</u>	<u>\$ 4,652,041</u>

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 2019 and 2018 include a variety of diverse programs and projects with costs of less than \$200,000.



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