AMERICAN NICARAGUAN FOUNDATION, INC.
Miami, Florida

FINANCIAL STATEMENTS
December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
American Nicaraguan Foundation, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of American Nicaraguan Foundation, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

(Continued)

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, 2017 and 2016, 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.

Crowe LLP

Crowe LLP

Miami, Florida
November 2, 2018

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 2,231,366	$ 2,403,114
Interest-bearing deposits in financial institution	2,159,743	1,000,000
Investments	-	786,218
Contributions and other receivables,		
net of allowance of $108,828 and $0	1,572,678	1,289,768
Inventories	19,694,082	17,054,029
Property and equipment, net	1,326,604	909,705
Other assets	63,965	44,612
Total assets	$ 27,048,438	$ 23,487,446
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 2,193,311	$ 1,791,011
Net assets:		
Unrestricted:		
Quasi-endowment fund	1,000,000	1,000,000
Undesignated	20,722,999	18,304,165
	21,722,999	19,304,165
Temporarily restricted	3,132,128	2,392,270
Total net assets	24,855,127	21,696,435
Total liabilities and net assets	$ 27,048,438	$ 23,487,446

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended December 31, 2017 and 2016

	2017	2016
Changes in unrestricted net assets		
Revenue		
In-kind contributions	$ 102,795,665	$ 90,498,414
Cash contributions and other	2,705,075	2,424,668
Donated shipping and handling	1,325,041	1,461,910
Net assets released from restrictions	4,998,200	4,117,118
Total unrestricted revenue	111,823,981	98,502,110
Expenses		
Program expenses	107,809,183	93,750,390
Administrative expenses	1,177,322	1,042,632
Fundraising	418,642	404,074
Total expenses	109,405,147	95,197,096
Changes in unrestricted net assets	2,418,834	3,305,014
Unrestricted net assets at beginning of year	19,304,165	15,999,151
Unrestricted net assets at end of year	21,722,999	19,304,165
Changes in temporarily restricted net assets		
Cash contributions	5,738,058	4,955,766
Net assets released from restrictions	(4,998,200)	(4,117,118)
Changes in temporarily restricted net assets	739,858	838,648
Temporarily restricted net assets at the beginning of year	2,392,270	1,553,622
Temporarily restricted net assets at the end of year	3,132,128	2,392,270
Change in net assets	3,158,692	4,143,662
Net assets at the beginning of year	21,696,435	17,552,773
Net assets at the end of year	$ 24,855,127	$ 21,696,435

See accompanying notes to financial statements.

AMERICAN NICARAGUAN FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 3,158,692	$ 4,143,662
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	90,603	106,338
Increase (decrease) in cash flows resulting from changes in:		
Inventories	(2,640,053)	(3,978,353)
Contributions and other receivables	(282,910)	559,323
Other assets	(19,353)	129,745
Accounts payable and accrued expenses	402,300	295,646
Net cash from operating activities	709,279	1,256,361
Cash flows from investing activities		
Increase in interest bearing deposit in financial institution	(1,159,743)	-
Increase (decrease) in investments	786,218	(331,644)
Capital expenditures	(507,502)	(496,502)
Net cash from investing activities	(881,027)	(828,146)
Net change in cash and cash equivalents	(171,748)	428,215
Cash and cash equivalents at the beginning of year	2,403,114	1,974,899
Cash and cash equivalents at the end of year	$ 2,231,366	$ 2,403,114

See accompanying notes to financial statements.

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:

- *Unrestricted net assets* are free of donor-imposed restrictions and include the effects of revenues, expenses, gain and losses that are not changes in temporarily or permanently restricted net assets. The Foundation has a quasi-endowment fund that is functioning as an endowment that will be retained and invested rather than expended. As of December 31, 2017 and 2016, the Foundation has an outstanding quasi-endowment fund consisting of interest bearing deposits in a financial institution. The period and purpose of this fund has not been designated by the Board of Directors.

- *Temporarily restricted net assets* are those assets which use has been temporarily restricted by donors. When a donor-imposed restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

- *Permanently restricted net assets* are those assets which use has been permanently restricted by donors. As of December 31, 2017 and 2016, 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.

(Continued)

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

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 and other receivables: 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 2017 or 2016.

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 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.

(Continued)

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

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. Non-monetary assets and liabilities are converted at their historical exchange rate. Differences arising from currency conversion are recorded as part of operating activities. Foreign currency losses for 2017 and 2016 were deemed to be immaterial.

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

Severance Pay Accrued: The division in Nicaragua is subject to local labor legislation, which requires certain severance payments to its personnel upon termination regardless of cause. The statutory severance pay accrued is computed as follows: one month of salary for each year of employment during the first three years of employment and twenty days of salary for each subsequent year, with a minimum of one month and a maximum of five months' salary. As of December 31, 2017 and 2016, the Foundation had severance pay accrued totaling approximately $252,000 and $204,000, respectively, and is included in the accompanying statements of financial position.

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, 2017 and 2016. 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 2014. The Foundation is not subject to examination by Nicaraguan authorities for any year prior to 2010.

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, 2017 and 2016.

Subsequent Events: For the period between April 18, 2018 and the date of issuance of these financial statements, events of a financial and other nature have occurred that may significantly affect the Foundation. Currently there is a socio-political crisis in Nicaragua that has affected transportation in the country, security and the distribution of donations in kind, causing difficulties in the execution of programs and increasing the risk that internal and foreign donors suspend their donations. At the date of issuance of the financial statements, the financial effect of these events cannot be determined.

(Continued)

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

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

For the years ended December 31, 2017 and 2016, approximately 63% and 78%, respectively of cash donations came from a single donor (a not-for-profit organizations in the United States of America) and approximately 96% of total contributions received during 2017 and 2016, were contributed by two donors.

Approximately $694,944 of accounts receivable balance is due from a governmental body in Nicaragua as of December 31, 2017.

The Foundation has several bank accounts and time deposits which exceed the insurance provided by the Federal Deposit Insurance Corporation (FDIC). It also has uninsured deposits in a financial institution in Nicaragua.

NOTE 3 – INVESTMENTS

The Foundation sold all securities and other investments during 2017. The proceeds from sales of securities and other investments and the associated gain 2017 is listed below:

Proceeds	$ 788,858
Gross gain	2,640

Investments consisted of the following trading securities as of December 31 2016:

	2016
Common stock	$ 3,235
Fixed income securities	425,746
Mutual funds	357,237
	$ 786,218

The proceeds from sales for the twelve month period ending December 31, 2016 of mutual funds and the associated gain is listed below:

Proceeds	$ 120,000
Gross gain	4,202

(Continued)

NOTE 4 – 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).

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).

Common stocks and mutual funds which amount to $360,472 as of December 31, 2016 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 $425,746 as of December 31, 2016 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 2017 and 2016. There were no level 3 securities as of December 31, 2016.

NOTE 5 – RECEIVABLES

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

	2017	2016
Housing contributions	$ 282,106	$ 77,981
Fund raising gala	173,250	109,445
Programs contributions	28,230	65,041
Nicaragua import tax reimbursement	694,944	914,9111
Other accounts receivable	502,976	122,390
	1,681,506	1,289,768
Less: allowance for doubtful accounts	(108,828)	-
	$ 1,572,678	$ 1,289,768

(Continued)

NOTE 5 – RECEIVABLES (Continued)

As of December 31, 2017 and 2016, the Foundation had approximately $108,028 and $0, respectively, reserved in the allowance for doubtful accounts.

NOTE 6 – INVENTORIES

As of December 31, inventories consisted of the following:

	2017	2016
Medicine and medical supplies	$ 2,625,826	$ 2,981,264
Dried and processed foods	710,077	1,109,713
Household goods	593,124	1,678,289
Educational supplies	194,642	143,336
Clothing	241,443	309,900
Silent auction inventory	31,900	31,900
Virtus I watches	419,400	559,200
Inventory in transit	14,877,670	10,240,427
	$ 19,694,082	$ 17,054,029

The table below summarizes the inventory in transit as of December 31, 2017 and 2016:

	2017	2016
Medicine and medical supplies	$ 4,274,267	$ 5,773,997
Dried and processed foods	608,760	620,815
Clothing	2,205,151	813,928
Household goods	7,789,492	3,031,687
	$ 14,877,670	$ 10,240,427

There was no balance at year-end and no activity during the years ended December 31, 2017 and 2016 in the allowance for obsolescence.

(Continued)

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2017 and 2016:

	Estimated Useful Lives (years)	2017	2016
Land for future development		$ 239,509	$ 239,509
Leasehold improvements	5	457,398	402,530
Building	20	495,867	-
Equipment	2-5	324,702	295,090
Vehicles and other	2-5	304,574	290,519
		1,882,050	1,227,648
Less: accumulated depreciation and amortization		(714,536)	(682,381)
Construction in progress		219,090	364,438
		$ 1,326,604	$ 909,705

Constructions in progress for 2016 relates to new building which was placed in use on May 2017. During 2017, the Foundation incurred $219,090 costs to construct new office space in Nicaragua. The office is expected to be completed in 2018.

NOTE 8 – PROGRAM EXPENSES

Program expenses for the years ended December 31, 2017 and 2016, include the following:

	2017	2016
Goods distributed and services donated	$ 102,810,983	$ 89,596,022
Projects implementation	3,943,477	3,221,570
Programs implementation	1,054,723	932,799
	$ 107,809,183	$ 93,750,391

NOTE 9 – ADMINISTRATIVE EXPENSES

The following table set forth the components of administrative expenses for the years ended December 31, 2017 and 2016:

	2017	2016
Salaries	$ 481,092	$ 468,981
Facilities rental	15,298	28,831
Depreciation	44,197	27,892
Travel	8,955	11,071
Communications and utilities	22,719	24,483
Maintenance and fuel	27,713	22,481
Professional services	95,916	93,222
Supplies	7,714	5,487
Bad debt expense	108,828	-
Other	364,890	360,184
	$ 1,177,322	$ 1,042,632

NOTE 10 – COMMITMENTS

The Foundation has an operating land lease in Nicaragua. The Foundation built its warehouse and administrative offices on the leased land. On January 27, 2016 the Foundation renewed the land lease which expired on October 2015. 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 for a total of $191,447 in the form of leasehold improvements. Under the amendment, $95,724 in leasehold improvements is being deducted from total rental payments through maturity. Monthly rent payment after amortizing leasehold improvements is approximately $1,750. Contributed rent expense under this agreement totaled approximately $119,000 for the years ended 2017 and 2016, and is included as in-kind contributions in the statement of activities and changes in net assets.

During September 2017, the Foundation renewed the Miami office lease, which expires in September 2021 with monthly payments of approximately $2,800.

Rent expense under these operating lease agreements are recognized as fund raising expenses and amounted to approximately $66,098 and $77,944 for the years ended 2017 and 2016, respectively.

Future estimated minimum rental cash payments under these operating leases are as follows:

	Minimum Commitment
2018	$ 54,870
2019	55,886
2020	51,684
2021	27,555
	$ 189,995

(Continued)

NOTE 11 – 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 a bank account. As of December 31, 2017 and 2016, cash and other investments deposited in such bank amounted to approximately $135,066 and $308,410, respectively.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

The components and changes in temporarily restricted net assets for the years ended December 31, 2017 and 2016, follow:

	Housing	Other(*)	Total
Balance as of January 1, 2016	1,108,994	444,628	1,553,622
Temporarily restricted funds received during the year 2016	1,612,122	3,343,644	4,955,766
Temporarily restricted net assets released during the year 2016	(1,004,524)	(3,112,594)	(4,117,118)
Balance as of December 31, 2016	$ 1,716,592	$ 675,678	$ 2,392,270
Temporarily restricted funds received during the year 2017	2,462,797	3,275,261	5,738,058
Temporarily restricted net assets released during the year 2017	(1,711,534)	(3,286,666)	(4,998,200)
Balance as of December 31, 2017	$ 2,467,855	$ 664,273	$ 3,132,128

Temporarily 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 temporarily restricted funds in 2017 and 2016 include a variety of diverse programs and projects with costs of less than $200,000.