

2020-2019



**AMERICAN NICARAGUAN
FOUNDATION, INC.**

FINANCIAL STATEMENTS



Doral, Florida

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AMERICAN NICARAGUAN FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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DECEMBER 31, 2020 AND 2019

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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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for each 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 and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audits 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, 2020 and 2019, 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.

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.

Our opinion is not modified with respect to this matter.

Miami, Florida – August 10, 2021

STATEMENTS OF FINANCIAL POSITION

AMERICAN NICARAGUAN FOUNDATION, INC.
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,629,293	\$ 1,584,277
Investments	2,284,994	2,648,188
Contributions receivable	75,338	789,263
Inventories	641,750	6,260,314
Total current assets	6,631,375	11,282,042
Other receivables	425,798	558,205
Property and equipment, net	1,254,680	1,361,029
Other assets	56,778	88,352
Total Assets	\$ 8,368,631	\$ 13,289,628
LIABILITIES AND NET ASSETS		
Liabilities		
Deferred revenues	\$ 2,698,204	\$ 1,400,732
Accounts payable and accrued expenses	303,480	346,043
Total liabilities	3,001,684	1,746,775
Net Assets:		
Without donor restrictions:		
Quasi-endowment fund	1,000,000	1,000,000
Undesignated	(581,201)	5,890,812
	418,799	6,890,812
With donor restrictions	4,948,148	4,652,041
Total net assets	5,366,947	11,542,853
Total Liabilities and Net Assets	\$ 8,368,631	\$ 13,289,628

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.

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

STATEMENTS OF CASH FLOWS

AMERICAN NICARAGUAN FOUNDATION, INC.
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (6,175,906)	\$ 2,126,990
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	137,199	162,121
Provisions for doubtful accounts - other receivables	102,919	-
Effect of exchange rate changes	29,488	-
Cash flows resulting from changes in:		
Inventories	5,618,564	(1,934,863)
Contributions receivable	713,925	235,292
Deferred revenue	1,297,472	(282,947)
Accounts payable and accrued expenses	(42,563)	(79,751)
Net cash from operating activities	1,681,098	226,842
Cash flows from investing activities		
Change in interest bearing deposit in financial institution	-	1,650,000
Change in investments	363,194	(1,636,853)
Capital expenditures, net	(30,850)	(27,218)
Other assets	31,574	(17,051)
Net cash from investing activities	363,918	(31,122)
Net change in cash and cash equivalents	2,045,016	195,720
Cash and cash equivalents at the beginning of year	1,584,277	1,388,557
Cash and cash equivalents at the end of year	\$ 3,629,293	\$ 1,584,277

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

AMERICAN NICARAGUAN FOUNDATION, INC.
DECEMBER 31, 2020 AND 2019

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 operated 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. Subsequent to year end, the "Asociación Nicaraguense de Fomento Social" was involuntarily dissolved for inactivity by the National Assembly of Nicaragua, effective July 22, 2021.

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, 2020 and 2019, 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, 2020 and 2019, and during the years then ended, the Foundation had no net assets held in perpetuity.

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.

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 2020 or 2019.

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 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.

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.

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 2020 and 2019 were \$165,319 and \$171,184, 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, 2020 and 2019, the Foundation had severance pay accrued totaling approximately \$191,900 and \$191,800, respectively, and is included in the accompanying statements of financial position.

Change in Accounting Principles – Revenue from Contracts with Customers: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. For the year ended December 31, 2020, the Organization adopted ASU No. 2014-09. ASU No. 2014-09 has been applied using the full retrospective method to all periods presented and resulted in no changes to previously reported net assets as there were no significant changes to the way the Organization recognizes revenue.

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 Organization 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 Organization 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, 2020 and 2019. 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 organization 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 2017. The Foundation is not subject to examination by Nicaraguan authorities for any year prior to 2013. 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, 2020 and 2019.

Coronavirus (COVID-19): 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. As a result, the Foundation cancelled many face to face events, including its Annual Gala, resulting in a negative impact to revenue. Fund raising revenue was down 32% for the year ended December 31, 2020 compared to 2019. Management continues to actively monitor the situation in order to mitigate any potential future impact on the Foundation's changes in net assets and financial performance.

Subsequent Events: The Foundation evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

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, 2020 and 2019, the Foundation experienced a decrease of in-kind revenues of approximately 68% and 76%, respectively.

Due to the socio-political constraints in Nicaragua and the pandemic, the Foundation have experienced an overall decrease in revenues of approximately 44% and 63% for the years ended December 31 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, approximately 21% and 45%, respectively, of cash donations came from a single donor (a not-for-profit organizations in the United States of America), and approximately 34% of total contributions received during 2020 and 88%% for 2019, 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, 2020, financial assets available within one year of the balance sheet date for general expenditure were as follows:

	<u>2020</u>		<u>2019</u>
Cash and cash equivalents	\$ 3,629,293	\$	1,584,277
Investments	2,284,994		1,648,188
Contributions receivable	75,337		789,263
	<u>\$ 5,989,624</u>	\$	<u>4,021,728</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 -

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

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>2020</u>		<u>2019</u>
Fixed income securities	\$ 2,153,630	\$	2,497,785
Mutual funds	131,364		150,403
	\$ <u>2,284,994</u>	\$	<u>2,648,188</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).

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 \$131,604 as of December 31, 2020 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 \$2,153,630 as of December 31, 2020 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 2020 and 2019. There were no level 3 securities as of December 31, 2020.

NOTE 6 - RECEIVABLES

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

	<u>2020</u>	<u>2019</u>
Housing contributions	\$ -	\$ 341,560
Fund raising gala	72,096	144,457
Programs contributions	3,219	195,259
Other	23	107,987
	<u>75,338</u>	<u>789,263</u>
Less: Allowance for doubtful accounts	-	-
	<u>\$ 75,338</u>	<u>\$ 789,263</u>

NOTE 7 - INVENTORIES

As of December 31, inventories consisted of the following:

	<u>2020</u>	<u>2019</u>
Medicine and medical supplies	\$ 34,910	\$ 1,772,008
Dried and processed foods	225,514	205,709
Household goods	12,275	49,579
Educational supplies	221	96
Clothing	61,269	122,378
Virtus I watches	307,560	391,440
Inventory in transit	-	3,719,104
	<u>\$ 641,749</u>	<u>\$ 6,260,314</u>

Inventory in transit were as follows:

Medicine and medical supplies	\$ -	\$ 3,560,802
Dried and processed foods	-	74,894
Clothing	-	-
Household goods	-	83,408
	<u>\$ -</u>	<u>\$ 3,719,104</u>

There was no balance at year-end and no activity during the years ended December 31, 2020 and 2019 in the allowance for obsolescence.

NOTE 8 – OTHER RECEIVABLES

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

	<u>2020</u>		<u>2019</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>
Exchange Differential (2020)	(29,488)		-
Less: Valuation allowance	(206,564)		(103,645)
	<u>\$ 425,798</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, 2020 and 2019:

	Estimated Useful Lives (years)		<u>2020</u>		<u>2019</u>
Land for future development		\$	222,524	\$	222,524
Leasehold improvements	5		460,278		448,528
Building	20		912,705		912,705
Equipment	2 - 5		383,293		345,277
Vehicles and other	2 - 5		309,824		323,950
			<u>2,288,624</u>		<u>2,252,984</u>
Less: Accumulated depreciation and amortization			(1,033,944)		(891,955)
		\$	<u>1,254,680</u>	\$	<u>1,361,029</u>

During 2020, the Foundation recognized a loss of \$5,648 in disposition of equipment with original cost of \$39,917 and accumulated depreciation of \$34,269.

NOTE 10 - FUNCTIONAL EXPENSES

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 10 - FUNCTIONAL EXPENSES (Continued)

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 11 - COMMITMENTS

In October 2020, the Foundation extended its operating land lease in Nicaragua for eight years. The Foundation built its warehouse and administrative offices on the leased land. The extended land lease calls for initial monthly lease payments of \$4,000, with 3% annual increases, and expires in 2028. Furthermore, the lessor has recognized additional investments made by the Foundation of \$26,155 in the form of leasehold improvements. Under the agreement, \$13,078 in leasehold improvements is deducted from the total rental payments through maturity. Monthly rent payment after amortizing leasehold improvements averages approximately \$4,310. Contributed rent expense under the agreements totaled approximately \$96,000 and \$128,000 for the years ended 2020 and 2019, 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 \$54,587 and \$55,842 for the years ended 2020 and 2019, respectively.

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

Year ending December 31	
2021	\$ 71,805
2022	48,052
2023	49,543
2024	51,078
2025	52,660
Thereafter	<u>158,088</u>
Total minimum payments required (a)	\$ <u>431,227</u>

(a) Minimum payments have not been reduced by sublease rentals of \$25,200 under non-cancelable subleases.

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, 2020 and 2019, cash and other investments deposited in such bank amounted to approximately \$3,395,000 and \$3,159,000, 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, 2020 and 20219 is as follows:

	<u>Housing</u>	<u>Other(*)</u>	<u>Total</u>
Balance as of January 1, 2019	\$ 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	\$ 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	<u>(896,609)</u>	<u>(2,524,659)</u>	<u>(3,421,268)</u>
Balance as of December 31, 2020	<u>\$ 3,493,690</u>	<u>\$ 1,454,457</u>	<u>\$ 4,948,147</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 2020 and 2019 include a variety of diverse programs and projects with costs of less than \$200,000.



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