

**AGROS INTERNATIONAL AND AFFILIATE**

Consolidated Financial Statements

For the Years Ended June 30, 2017 and 2016

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## **Independent Auditor's Report**

**To the Board of Directors  
Agros International and Affiliate  
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Agros International and Affiliate (collectively, the Organization) which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated 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 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses for Agros International, presented on page 15, is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
January 26, 2018

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statements of Financial Position  
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,064,338	\$ 1,100,174
Prepaid expenses and other assets	49,646	40,085
Microloans receivable from community members, net	168,551	148,267
Pledges and grants receivable, net	230,576	190,538
Land held for village development	1,962,505	2,115,174
Property and equipment, net	<u>104,525</u>	<u>131,641</u>
<b>Total Assets</b>	<b><u>\$ 3,580,141</u></b>	<b><u>\$ 3,725,879</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 332,415	\$ 254,958
Line of credit		100,000
Land loan payments	<u>493,483</u>	<u>559,468</u>
<b>Total Liabilities</b>	<b>825,898</b>	<b>914,426</b>
<b>Net Assets:</b>		
Unrestricted net assets-		
Undesignated	28,295	(235,013)
Board-designated for land purchases	149,172	149,172
Invested in land held for village development and property and equipment	<u>66,678</u>	<u>115,318</u>
Total unrestricted net assets	244,145	29,477
Temporarily restricted net assets	1,722,700	2,089,309
Permanently restricted net assets	<u>787,398</u>	<u>692,667</u>
<b>Total Net Assets</b>	<b><u>2,754,243</u></b>	<b><u>2,811,453</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,580,141</u></b>	<b><u>\$ 3,725,879</u></b>

See accompanying notes.

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating</b>				
<b>Revenues:</b>				
Contributions and grants	\$ 1,036,318	\$ 924,801	\$ -	\$ 1,961,119
In-kind goods	2,063			2,063
Special events, net of related expenses of \$82,891	117,044	47,350		164,394
Interest income	38,937			38,937
Other income	124,936		35,826	160,762
Net assets released from restriction	<u>1,341,273</u>	<u>(1,341,273)</u>		
<b>Total Revenues</b>	<b>2,660,571</b>	<b>(369,122)</b>	<b>35,826</b>	<b>2,327,275</b>
<b>Expenses:</b>				
Program	1,842,271			1,842,271
Administration	276,399			276,399
Resource development	<u>358,429</u>			<u>358,429</u>
<b>Total Expenses</b>	<b>2,477,099</b>			<b>2,477,099</b>
<b>Change in Net Assets Before Gains/(Losses)</b>	<b>183,472</b>	<b>(369,122)</b>	<b>35,826</b>	<b>(149,824)</b>
Loan portfolio adjustments (Note 3)	<u>31,196</u>	<u>2,513</u>	<u>58,905</u>	<u>92,614</u>
<b>Change in Net Assets</b>	<b>214,668</b>	<b>(366,609)</b>	<b>94,731</b>	<b>(57,210)</b>
Net assets, beginning of year	<u>29,477</u>	<u>2,089,309</u>	<u>692,667</u>	<u>2,811,453</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 244,145</u></b>	<b><u>\$ 1,722,700</u></b>	<b><u>\$ 787,398</u></b>	<b><u>\$ 2,754,243</u></b>

See accompanying notes.

AGROS INTERNATIONAL AND AFFILIATE

Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Contributions and grants	\$ 986,648	\$ 1,189,184	\$ -	\$ 2,175,832
In-kind goods	32,912			32,912
Special events, net of related expenses of \$87,007	60,535	48,700		109,235
Interest income	22,149			22,149
Other income	11,967			11,967
Net assets released from restriction	1,186,069	(1,186,069)		
<b>Total Revenues</b>	<b>2,300,280</b>	<b>51,815</b>		<b>2,352,095</b>
<b>Expenses:</b>				
Program	1,996,672			1,996,672
Administration	339,215			339,215
Resource development	704,808			704,808
<b>Total Expenses</b>	<b>3,040,695</b>			<b>3,040,695</b>
<b>Change in Net Assets Before Gains/(Losses)</b>	<b>(740,415)</b>	<b>51,815</b>		<b>(688,600)</b>
Loan portfolio adjustments (Note 3)	2,996	48,431		51,427
<b>Change in Net Assets</b>	<b>(737,419)</b>	<b>100,246</b>		<b>(637,173)</b>
Net assets, beginning of year	766,896	1,989,063	692,667	3,448,626
<b>Net Assets, End of Year</b>	<b>\$ 29,477</b>	<b>\$ 2,089,309</b>	<b>\$ 692,667</b>	<b>\$ 2,811,453</b>

See accompanying notes.

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (57,210)	\$ (637,173)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Gain on land held for village development	(65,927)	
Disposal of property and equipment		1,494
Depreciation and amortization	58,246	53,313
Changes in assets and liabilities:		
Prepaid expenses and other assets	(9,561)	12,132
Microloans receivable from community members, net	(20,284)	29,736
Pledges and grants receivable, net	(40,038)	18,174
Accounts payable and accrued expenses	77,457	(47,993)
<b>Net Cash Used in Operating Activities</b>	<b>(57,317)</b>	<b>(570,317)</b>
<b>Cash Flows From Investing Activities:</b>		
Land loan payments received from villagers	137,082	78,623
Proceeds from sale of land	15,529	
Purchases of property and equipment	(31,130)	(56,475)
Proceeds from sale of property and equipment		1,160
Proceeds from sale of investments		468,576
<b>Net Cash Provided by Investing Activities</b>	<b>121,481</b>	<b>491,884</b>
<b>Cash Flows From Financing Activities:</b>		
Net borrowing on line of credit	(100,000)	100,000
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(100,000)</b>	<b>100,000</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(35,836)</b>	<b>21,567</b>
Cash and cash equivalents, beginning of year	1,100,174	1,078,607
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,064,338</b>	<b>\$ 1,100,174</b>

See accompanying notes.



## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2017 and 2016

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#### Note 1 - Nature of the Organization

Agros International (Agros) was formed in October 1984. Its mission is to break the cycle of poverty for the rural poor by helping them acquire land and develop sustainable agriculture and communities. Agros has provided development assistance to 44 Agros villages (projects) in Guatemala, El Salvador, Nicaragua, Honduras and Mexico, helping more than 1,700 families achieve food security, organize self-sustaining communities, develop agricultural businesses and obtain potable water and other essential needs (unaudited).

Agros is a Washington State nonprofit corporation with headquarters in Seattle, Washington and branch offices in El Salvador, Nicaragua and Honduras.

Land Hope Life, an affiliated organization that is controlled by Agros, was incorporated on June 23, 2010, for the purpose of purchasing and holding land in other countries.

#### Note 2 - Summary of Significant Accounting Policies

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Agros and Land Hope Life, collectively referred to as "the Organization". All inter-organization transactions have been eliminated.

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they will be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is restricted by donors, in which case they are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as releases between the applicable classes of net assets.

**Noemí Fund** - In October 2003, the Board of Directors authorized the formation of the Noemí Fund (the Fund), to hold gifts in perpetuity to be used for land and housing loans. These gifts are accounted for as permanently restricted net assets unless other donor restrictions apply. Monies from the Fund are advanced to acquire land and purchase building materials. The Fund holds, as its investment, cash, promissory notes and land. Losses on investments may be charged to the applicable restricted net asset class.

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2017 and 2016

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#### Note 2 - Continued

**Cash and Cash Equivalents** - For purposes of the consolidated statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization at times maintains cash balances that are in excess of Federal Deposit Insurance Corporation insurance limits. Cash and cash equivalents balances in foreign countries as of June 30, 2017 and 2016, totaled \$64,763 and \$56,132, respectively.

**Receivables** - Accounts, microloans and notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**Pledges and Grants Receivable** - Unconditional promises to give (pledges receivable and grants from foundations) are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Conditional Pledges Receivable** - The Organization holds commitments from donors who have agreed to sponsor villages. These commitments will be received over future years as village development progresses. To the extent that individual pledge commitments for a specific time period and amount have been received, they are recorded as pledges receivable. In the absence of a specific promise to give, the Organization considers those commitments to be conditional on future events and recognizes only the current-year portion.

**Concentration of Credit Risk** - Approximately 21% of the Organization's total revenues were received from two donors and 69% of pledges and grants receivable were due from three donors as of and for the year ended June 30, 2017. Approximately 18% of the Organization's total revenues were received from one donor and 74% of pledges and grants receivable were due from three donors as of and for the year ended June 30, 2016.

**Property, Equipment and Depreciation** - All acquisitions of property and equipment in excess of \$1,000 in the U.S. and \$500 outside the U.S. and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets, generally three to seven years for vehicles and furniture and equipment and the life of the lease for leasehold improvements.

**Donated Securities and Other Assets** - Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation.

**Donated Services** - Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no donated services recognized for the years ended June 30, 2017 and 2016.

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2017 and 2016

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#### Note 2 - Continued

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and administration. These services totaled more than 6,000 and 8,000 hours (unaudited) during the years ended June 30, 2017 and 2016, respectively. Due to applicable accounting guidelines, these were not recognized as contributions in the consolidated financial statements.

**Supported Organizations** - Agros works with organizations in Guatemala, which are governed by separate boards of directors in those countries. Fundación Agros, operating in Guatemala, is a Guatemalan nonprofit corporation with headquarters in Guatemala City, Guatemala. Funding provided to Fundación Agros is included in the detail on the schedule of functional expenses as a part of program activities. The accompanying consolidated financial statements for the years ended June 30, 2017 and 2016 do not include the accounts of Fundación Agros.

**Use of Estimates** - Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates used in preparing these consolidated financial statements include those used in recording land held for development at the lower of cost or net realizable value as well as the valuation allowance established against microloans and notes receivable. It is reasonably possible that the significant estimates used will change within the next year.

**Income Tax Status** - The Internal Revenue Service (IRS) has determined that Agros and Land Hope Life are exempt from U.S. income tax under section 501(c)(3) of the U.S. Internal Revenue Code (IRC). In addition, Agros qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(1).

**Foreign Currency Translation** - The functional currency of some of the Organization's field offices is the local currency in which the office is located. Assets and liabilities of the offices have been translated into U.S. dollars at year-end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Any translation adjustments are included in the consolidated statements of activities and changes in net assets.

**Expense Allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and in the schedule of functional expenses. Expenses related to more than one function are charged to programs and supporting services on the basis of benefits received by each function. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Resource development expenses are expenses related to raising financial support for current and future activities of the Organization. Certain significant program activities, including the extension of credit for agricultural and other productive activities and purchases of land for new village development, are not recorded as expenses but are shown as increases in the corresponding assets.

**Subsequent Events** - The Organization has evaluated subsequent events through January 26, 2018, the date on which the consolidated financial statements were available to be issued

#### Note 3 - Microloans and Notes Receivable

The Organization makes loans to families in Guatemala, El Salvador, Nicaragua, and Honduras to help build self-sustaining and thriving communities. The loans are funded by a combination of permanently restricted, temporarily restricted and unrestricted contributions.

**AGROS INTERNATIONAL AND AFFILIATE**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2017 and 2016**

**Note 3 - Continued**

In addition, the Organization has loaned funds to Fundación Agros. Notes for the purchase of land are receivable from Fundación Agros and pay interest at varying rates with terms of ten years from the date of the land purchase, with payments commencing 24 months after the date of purchase. The balances of the notes receivable were \$297,119 and \$420,121 at June 30, 2017 and 2016, respectively, and were fully offset by an allowance for doubtful accounts. Some of the notes are denominated in the local currency and have been translated into U.S. dollars at year-end exchange rates.

Microloans and notes receivable consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Microloans	\$ 277,578	\$ 226,906
Less allowance for doubtful accounts-		
Beginning balance	(78,639)	(200,673)
Write-off of loan balances against the allowance		122,034
Provision for loan losses	<u>(30,388)</u>	
Ending balance	<u>(109,027)</u>	<u>(78,639)</u>
<b>Microloans Receivable, Net</b>	<b><u>\$ 168,551</u></b>	<b><u>\$ 148,267</u></b>
Notes receivable	\$ 297,119	\$ 420,121
Less allowance for doubtful accounts-		
Beginning balance	(420,121)	(458,244)
Recovery of prior allowances	<u>123,002</u>	<u>38,123</u>
Ending balance	<u>(297,119)</u>	<u>(420,121)</u>
<b>Notes Receivable, Net</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

The following amounts of microloans were past due at June 30:

	<u>2017</u>	<u>2016</u>
30 to 60 days	\$ 19,990	\$ 2,753
61 to 90 days	12,370	2,093
91 to 120 days	1,573	7,315
Greater than 120 days	<u>21,196</u>	<u>50,107</u>
	<b><u>\$ 55,129</u></b>	<b><u>\$ 62,268</u></b>

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2017 and 2016

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#### Note 3 - Continued

All of the notes receivable from Fundación Agros are past due at June 30, 2017 and 2016.

Maturities on the microloans and notes receivable range from six months to ten years. Allowances for doubtful accounts for microloans and notes receivable are established based on management's programmatic intent regarding pursuing collections, prior collection experience, current economic factors and management's review of individual account balances. Microloans and notes receivable are written off only when they are deemed to be permanently uncollectible and interest continues to accrue until the loan balances are paid in full or written off. Assessed impairment of certain loans is included in the allowance for doubtful accounts.

The Organization is subject to certain business risks that could affect net assets. These risks include a geographic concentration in Nicaragua and Honduras at June 30, 2017 and 2016.

#### Note 4 - Pledges and Grants Receivable

Pledges receivable are discounted at rates ranging from 0.48 percent to 1.60 percent and are due as follows at June 30:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 214,799	\$ 110,362
One to five years	35,477	90,276
More than five years		<u>1,000</u>
	250,276	201,638
Less allowance for doubtful pledges	(18,700)	(10,100)
Less discount to present value	<u>(1,000)</u>	<u>(1,000)</u>
	<u><u>\$ 230,576</u></u>	<u><u>\$ 190,538</u></u>

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2017 and 2016

#### Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

<u>Asset</u>	<u>Country</u>	<u>2017</u>	<u>2016</u>
Furniture and equipment	United States	\$ 228,389	\$ 224,075
	Nicaragua	71,605	47,791
	Honduras	19,307	20,185
	El Salvador		4,870
Vehicles	Nicaragua	153,495	153,495
	Honduras	36,556	36,556
	El Salvador		26,747
Leasehold improvements	United States	11,083	11,083
	Nicaragua	4,731	4,731
Less accumulated depreciation		525,166	529,533
		<u>(420,641)</u>	<u>(397,892)</u>
		<u><b>\$ 104,525</b></u>	<u><b>\$ 131,641</b></u>

#### Note 6 - Land Held for Village Development

Land held for village development is stated at the lesser of the purchase and development cost of the land or the net realizable value. Net realizable value is the estimated amount that management anticipates villagers will be paying for the land based on programmatic, economic and other factors.

The land is held as inventory on the Organization's consolidated statements of financial position until villagers have completed payment for their individual parcels. Payments are recorded as land loan payment liabilities during the payment period, generally seven to ten years. The cumulative land loan payments received totaled \$493,483 and \$559,468 as of June 30, 2017 and 2016, respectively. Payments received from villagers are nonrefundable and any payments received in excess of the village asset basis is recorded as a gain; during the year ended June 30, 2017 \$65,927 of gain was recorded. At completion of the period, title is transferred to the individual villagers and the cost of the land and accumulated payments are removed from the consolidated statements of financial position. During the year ended June 30, 2017, \$137,142 of cost of land and accumulated payments liability were removed from the consolidated statement of financial position due to title transfers.

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2017 and 2016

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#### Note 6 - Continued

The parcels of land held in the following countries were as follows at June 30, 2017 and 2016:

Country	2017 Carrying Value	2016 Carrying Value
Nicaragua	\$ 1,785,815	\$ 1,785,814
Honduras	147,932	184,328
El Salvador	28,758	145,032
	<b>\$ 1,962,505</b>	<b>\$ 2,115,174</b>

#### Note 7 - Lease Commitments

The Organization signed a lease for office space under a noncancelable lease agreement expiring December 2017 with an optional five year extension. The future minimum annual rental payments are subject to escalations of the base rent and are included in the commitments schedule below.

The Organization also has leases for office space in the various countries in which it operates. These leases generally have committed terms ranging from three to twelve months.

Future minimum rent payments under all noncancelable operating leases are as follows:

For the Year Ending June 30,

2018	\$ 72,378
2019	1,706
	<b>\$ 74,084</b>

Lease expense for all operating leases totaled \$129,720 and \$128,820 for the years ended June 30, 2017 and 2016, respectively.

#### Note 8 - Line of Credit

The Organization has a line of credit with a bank that allows for total borrowings of \$500,000. The line matures April 11, 2018 and requires monthly payments of interest at a variable rate that was 4.5% at June 30, 2017. The line is secured by a security interest in assets of the Organization and personal guarantees of four current and former members of the Organization's Board of Directors. Total borrowings outstanding on the line were \$0 and \$100,000 at June 30, 2017 and 2016, respectively.

**AGROS INTERNATIONAL AND AFFILIATE**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2017 and 2016**

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**Note 9 - Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 32,369	\$ 7,886
Program restrictions-		
Village development	685,882	972,615
Land	827,889	888,983
Agricultural and enterprise loans	173,002	173,444
Administration and resource development		45,248
Other programs	3,558	1,133
	<u>\$ 1,722,700</u>	<u>\$ 2,089,309</u>

**Note 10 - Permanently Restricted Net Assets**

Permanently restricted net assets totaled \$787,398 and \$692,667 as of June 30, 2017 and 2016, respectively. These amounts represent contributions to the Noemí Fund (the Fund) to purchase land and to finance the cost of land and houses for the members of the communities served by the Organization. Ninety percent of each contribution given to the Noemí Fund is held in perpetuity. The remaining ten percent of each contribution is temporarily restricted to pay for direct operating costs and overhead of the Fund. During the year ended June 30, 2017 this Fund was increased by \$94,731 due to the recoveries on notes receivable previously allowed for and for gains on land held for development as described in Note 3.



**SUPPLEMENTARY INFORMATION**

**AGROS INTERNATIONAL**

**Schedule of Functional Expenses  
For the Year Ended June 30, 2017  
(With Comparative Totals for 2016)**

	Program Expenses						Total Program	Administration	Fundraising	2017 Total	2016 Total
	International Program Development	Guatemala	Nicaragua	El Salvador	Honduras	Mexico					
Salaries, payroll taxes and benefits	\$ 583,436	\$ 30,861	\$ 194,834	\$ -	\$ 60,097	\$ -	\$ 869,228	\$ 164,558	\$ 325,349	\$ 1,359,135	\$ 1,540,906
Project costs and infrastructure	19	107,557	50,288	600	10,378		168,842			168,842	389,462
Service teams	576		31,239		8,189		40,004			40,004	46,274
Travel	84,547	2,059	32,000	1,179	8,663	138	128,586	3,975	17,230	149,791	166,095
Professional services	56,035	1,497	52,872	11,385	13,162	691	135,642	95,803	50,110	281,555	352,893
Rent and occupancy	41,314	6,743	25,863	1,200	7,148		82,268	17,014	59,089	158,371	154,778
Vehicle expense and local transportation	1,713	6,936	25,145	972	8,634		43,400		35	43,435	42,379
Training, conferences and and staff development	2,854	156	7,058		272		10,340	16,989	3,410	30,739	81,473
Supplies and postage	2,058	615	1,845	32	1,549		6,099	767	6,993	13,859	19,955
Telephone and communications	16,714	1,566	10,439	5	4,784		33,508	3,192	12,122	48,822	66,202
Fees, taxes and licenses	3,220	193	9,602	442	2,095	20	15,572	7,676	31,873	55,121	42,311
Printing and publications	8,943		383	46	63		9,435	301	15,866	25,602	36,047
Insurance	5,680	656	4,179	344	839		11,698	2,398	5,593	19,689	28,733
Equipment rental and maintenance	3,334	218	2,242		1,093		6,887	1,313	4,640	12,840	10,091
Loss on disposal of assets			1,355				1,355			1,355	1,644
Interest and other	835		3,043	1	1,239	89	5,207	9	4,477	9,693	10,623
Revolving loan fund investment			82,833		11,101		93,934			93,934	
Allocations	(373,676)	41,143	411,453		154,500		233,420	(41,200)	(192,220)		
Depreciation	10,258		23,116		7,406		40,780	3,604	13,862	58,246	53,313
<b>Total Expenses</b>	<b>447,860</b>	<b>200,200</b>	<b>969,789</b>	<b>16,206</b>	<b>301,212</b>	<b>938</b>	<b>1,936,205</b>	<b>276,399</b>	<b>358,429</b>	<b>2,571,033</b>	<b>3,043,179</b>
Loan portfolio adjustments		(123,001)	22,925		7,462		(92,614)			(92,614)	(53,439)
<b>Total Expenses and Gain/(Loss)</b>	<b>\$ 447,860</b>	<b>\$ 77,199</b>	<b>\$ 992,714</b>	<b>\$ 16,206</b>	<b>\$ 308,674</b>	<b>\$ 938</b>	<b>\$ 1,843,591</b>	<b>\$ 276,399</b>	<b>\$ 358,429</b>	<b>\$ 2,478,419</b>	<b>\$ 2,989,740</b>

Notes:

- (1) This schedule reflects the activities of Agros International only, not consolidated with Land Hope Life. Agros International carries out its program activities both directly and through affiliated organizations. For the purpose of the functional expense presentation above, all activities for which Agros International funds were expended are reported above in their natural classifications.
- (2) During the year ended June 30, 2017 Agros transferred funds to Land Hope Life of \$93,934 that are categorized as revolving loan fund investments expense in the schedule above.
- (3) The schedule above does not include \$82,891 and \$87,007 of expenses for the years ended June 30, 2017 and 2016, respectively, of fundraising expenses for special events that are netted with the special events revenue on the consolidated statement of activities.

See independent auditor's report.