**AGROS INTERNATIONAL AND AFFILIATE**

Consolidated Financial Statements

For the Years Ended June 30, 2019 and 2018

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Clark Nuber PS

**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, 2019 and 2018, and the related consolidated statements of activities, functional expense, 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, 2019 and 2018, 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.

**Effect of Adopting New Accounting Standard**

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Clark Nuber P.S.

Certified Public Accountants
February 14, 2020

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statements of Financial Position**
**June 30, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 628,686 | $ 500,255 |
| Prepaid expenses and other assets | 68,612 | 66,310 |
| Microloans receivable from community members, net | 174,244 | 196,907 |
| Pledges and grants receivable, net | 554,063 | 98,801 |
| Land held for village development | 1,897,982 | 1,920,719 |
| Property and equipment, net | 149,238 | 168,222 |
| **Total Assets** | **$ 3,472,825** | **$ 2,951,214** |
| **Liabilities and Net Assets** | | |
| **Liabilities:** | | |
| Accounts payable and accrued expenses | $ 366,346 | $ 291,459 |
| Land loan payments | 568,405 | 538,453 |
| Note payable | 250,000 | |
| **Total Liabilities** | **1,184,751** | **829,912** |
| **Net Assets:** | | |
| Without donor restrictions | (94,980) | 70,588 |
| With donor restrictions | 2,383,054 | 2,050,714 |
| **Total Net Assets** | **2,288,074** | **2,121,302** |
| **Total Liabilities and Net Assets** | **$ 3,472,825** | **$ 2,951,214** |

See accompanying notes.

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statement of Activities and Changes in Net Assets**
**For the Year Ended June 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Operating** | | | |
| **Revenues:** | | | |
| Contributions and grants | $ 922,789 | $ 856,773 | $ 1,779,562 |
| Special events, net of related expenses of $99,914 | 230,071 | 462,500 | 692,571 |
| Interest income | 13,136 | | 13,136 |
| Other income | 44,277 | | 44,277 |
| Net assets released from restriction | 986,933 | (986,933) | |
| **Total Revenues** | **2,197,206** | **332,340** | **2,529,546** |
| **Expenses:** | | | |
| Program | 1,441,470 | | 1,441,470 |
| Administration | 297,225 | | 297,225 |
| Resource development | 579,000 | | 579,000 |
| **Total Expenses** | **2,317,695** | | **2,317,695** |
| **Change in Net Assets Before Gains/(Losses)** | **(120,489)** | **332,340** | **211,851** |
| Loan portfolio adjustments (Note 3) | (32,494) | | (32,494) |
| Other gains, losses and recoveries, net | (12,585) | | (12,585) |
| **Change in Net Assets** | **(165,568)** | **332,340** | **166,772** |
| Net assets, beginning of year | 70,588 | 2,050,714 | 2,121,302 |
| **Net Assets, End of Year** | **$ (94,980)** | **$ 2,383,054** | **$ 2,288,074** |

See accompanying notes.

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statement of Activities and Changes in Net Assets**
**For the Year Ended June 30, 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues:** | | | |
| Contributions and grants | $ 933,212 | $ 542,078 | $ 1,475,290 |
| In-kind goods | | | |
| Special events, net of related expenses of $125,367 | 157,463 | 7,500 | 164,963 |
| Interest income | 39,413 | | 39,413 |
| Other income | 83,817 | | 83,817 |
| Net assets released from restriction | 1,052,474 | (1,052,474) | |
| **Total Revenues** | **2,266,379** | **(502,896)** | **1,763,483** |
| **Expenses:** | | | |
| Program | 1,709,270 | | 1,709,270 |
| Administration | 300,791 | | 300,791 |
| Resource development | 494,998 | | 494,998 |
| **Total Expenses** | **2,505,059** | | **2,505,059** |
| **Change in Net Assets Before Gains/(Losses)** | **(238,680)** | **(502,896)** | **(741,576)** |
| Loan portfolio adjustments (Note 3) | 1,252 | 43,512 | 44,764 |
| Other gains, losses and recoveries, net | 63,871 | | 63,871 |
| **Change in Net Assets** | **(173,557)** | **(459,384)** | **(632,941)** |
| Net assets, beginning of year | 244,145 | 2,510,098 | 2,754,243 |
| **Net Assets, End of Year** | **$ 70,588** | **$ 2,050,714** | **$ 2,121,302** |

See accompanying notes.

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statement of Functional Expense**
**For the Year Ended June 30, 2019**
**(With Comparative Totals for 2018)**

| | Program Expenses | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | International Program Development | Nicaragua | El Salvador | Honduras | Total Program | Administration | Fundraising | 2019 Total | 2018 Total |
| Salaries, payroll taxes and benefits | $ 308,059 | $ 319,932 | $ - | $ 139,599 | $ 767,590 | $ 227,519 | $ 412,590 | $ 1,407,699 | $ 1,382,203 |
| Project costs and infrastructure | | 47,875 | | 15,432 | 63,307 | | | 63,307 | 75,506 |
| Service teams | 8 | | | | 8 | | | 8 | 36,939 |
| Travel | 7,197 | 47,740 | | 23,295 | 78,232 | 1,036 | 26,265 | 105,533 | 147,247 |
| Professional services | 26,538 | 52,504 | 3,964 | 19,511 | 102,517 | 35,151 | 38,722 | 176,390 | 321,734 |
| Rent and occupancy | 42,383 | 44,187 | | 10,925 | 97,495 | 28,662 | 65,596 | 191,753 | 164,171 |
| Vehicle expense and local transportation | | 40,078 | | 8,754 | 48,832 | | | 48,832 | 44,251 |
| Training, conferences and staff development | 178 | 3,498 | | 839 | 4,515 | 7,122 | 3,494 | 15,131 | 17,188 |
| Supplies and postage | 739 | 3,917 | | 842 | 5,498 | 523 | 11,301 | 17,322 | 13,197 |
| Telephone and communications | 3,036 | 14,380 | | 7,010 | 24,426 | 1,147 | 6,129 | 31,702 | 45,741 |
| Fees, taxes and licenses | | 5,482 | 322 | 1,693 | 7,497 | 13,977 | 33,278 | 54,752 | 58,629 |
| Printing and publications | 534 | 976 | | 83 | 1,593 | 362 | 15,280 | 17,235 | 9,523 |
| Insurance | 3,937 | 9,384 | | 1,195 | 14,516 | 2,667 | 6,097 | 23,280 | 20,605 |
| Equipment rental and maintenance | 1,056 | 4,102 | | 474 | 5,632 | 715 | 1,635 | 7,982 | 14,685 |
| Loss on disposal of assets | | | 2,977 | | 2,977 | | | 2,977 | 472 |
| Grants to Guatemala program | 65,808 | | | | 65,808 | | | 65,808 | 49,780 |
| Interest and other | | 15,029 | 2 | 2,648 | 17,679 | 10,112 | 4,255 | 32,046 | 56,543 |
| Allocations | | 59,976 | | 25,839 | 85,815 | (34,326) | (51,489) | | |
| Depreciation | 3,776 | 40,548 | | 3,209 | 47,533 | 2,558 | 5,847 | 55,938 | 46,645 |
| Special event expenses | | | | | | | 99,914 | 99,914 | 125,367 |
| Total expenses | 463,249 | 709,608 | 7,265 | 261,348 | 1,441,470 | 297,225 | 678,914 | 2,417,609 | 2,630,426 |
| Less special event expenses netted with special events revenue | | | | | | | (99,914) | (99,914) | (125,367) |
| **Total Expenses Presented on the Consolidated Statement of Activities and Changes in Net Assets** | **$ 463,249** | **$ 709,608** | **$ 7,265** | **$ 261,348** | **$ 1,441,470** | **$ 297,225** | **$ 579,000** | **$ 2,317,695** | **$ 2,505,059** |

See accompanying notes.

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statements of Cash Flows**
**For the Years Ended June 30, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Change in net assets | $ 166,772 | $ (632,941) |
| Adjustments to reconcile change in net assets to | | |
| net cash used in operating activities- | | |
| Gain on land held for village development | (17,189) | (13,925) |
| Disposal of property and equipment | 2,977 | 6,117 |
| Depreciation | 55,938 | 46,606 |
| Changes in assets and liabilities: | | |
| Prepaid expenses and other assets | (2,302) | (16,664) |
| Microloans receivable from community members, net | 22,663 | (28,356) |
| Pledges and grants receivable, net | (455,262) | 131,775 |
| Accounts payable and accrued expenses | 74,887 | (40,956) |
| **Net Cash Used in Operating Activities** | **(151,516)** | **(548,344)** |
| **Cash Flows From Investing Activities:** | | |
| Land loan payments received from villagers | 69,878 | 100,681 |
| Purchases of property and equipment | (39,931) | (117,658) |
| Proceeds from sale of property and equipment | | 1,238 |
| **Net Cash Provided by (Used in) Investing Activities** | **29,947** | **(15,739)** |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from note payable | 250,000 | |
| **Net Cash Provided by Financing Activities** | **250,000** | |
| **Net Change in Cash and Cash Equivalents** | **128,431** | **(564,083)** |
| Cash and cash equivalents, beginning of year | 500,255 | 1,064,338 |
| **Cash and Cash Equivalents, End of Year** | **$ 628,686** | **$ 500,255** |

See accompanying notes.

## Note 1 - Nature of the Organization

Agros International (Agros) was formed in October 1984. Its mission is to break the cycle of poverty and create paths to prosperity for farming families in rural Latin America. Agros has provided development assistance to 44 Agros villages (projects) in Guatemala, El Salvador, Nicaragua, Honduras and Mexico, helping more than 1,682 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 Nicaragua, Honduras, and El Salvador.

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 countries where Agros works.

## 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 -** The Organization follows accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to nonprofit organizations, which require the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

> Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.
>
> Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization or the passage of time or are to be maintained in perpetuity by the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications 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.

**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, 2019 and 2018, totaled $72,220 and $42,391, respectively.

**Note 2 - Continued**

**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.

**Concentration of Credit Risk -** Approximately 11% of the Organization's total revenue was received from one donor and 54% of the Organization's pledges and grants receivable were due from three donors as of June 30, 2019. Approximately 60% of the Organization's pledges and grants receivable were due from one donor as of June 30, 2018. There were no revenue concentrations for the year ended June 30, 2018.

**Property, Equipment and Depreciation -** All acquisitions of property and equipment in excess of $150 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, 2019 and 2018.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and administration. These services totaled 763 and 1,107 hours (unaudited) during the years ended June 30, 2019 and 2018, respectively. Due to applicable accounting guidelines, these were not recognized as contributions in the consolidated financial statements.

**Supported Organization -** Agros works with an organization in Guatemala, which is governed by a separate board of directors in that country. Fundación Agros, operating in Guatemala, is a Guatemalan nonprofit corporation with headquarters in Guatemala City, Guatemala. Certain individuals serve on the boards of directors of both Fundación Agros and Agros and accordingly Fundación Agros is considered a related party to Agros as defined by U.S. GAAP. The accompanying consolidated financial statements for the years ended June 30, 2019 and 2018 do not include the accounts of Fundación Agros. Grants provided to Fundación Agros is included in the detail on the consolidated statement of functional expenses as a part of program activities.

**Note 2 - Continued**

**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.

**Functional 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 consolidated statement of functional expense. Expenses related to more than one function are charged to programs and supporting services on the basis of benefits received by each function. A portion of the cost of staff headquartered in the Organization's Seattle office is allocated to the respective program activities based on estimated time and effort of those staff. 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.

The consolidated statement of functional expense reflects the consolidated expenses of the Organization. Inter-organization transactions between Agros International and Land Hope Life are eliminated in this statement. In previous years, the Organization presented this statement as a supplemental schedule and only included the expenses of Agros International. Agros expenses in that supplemental schedule included expenses for the investments in agricultural activities in Land Hope Life through a revolving fund.

**Adoption of New Accounting Pronouncement -** For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Note 2 - Continued**

**Subsequent Events -** The Organization has evaluated subsequent events through February 14, 2020, the date on which the consolidated financial statements were available to be issued.

**Note 3 - Microloans**

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.

Microloans consisted of the following at June 30:

| | 2019 | 2018 |
|---|---|---|
| Microloans | $ 296,983 | $ 277,205 |
| Less allowance for doubtful accounts- | | |
| Beginning balance | (80,298) | (109,027) |
| Write-off of loan balances against the allowance | 257 | 46,859 |
| Provision for loan losses | (42,698) | (18,130) |
| Ending balance | (122,739) | (80,298) |
| **Microloans Receivable, Net** | **$ 174,244** | **$ 196,907** |

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

| | 2019 | 2018 |
|---|---|---|
| 30 to 60 days | $ 466 | $ 1,398 |
| 61 to 90 days | 1,839 | 2,158 |
| 91 to 120 days | 4,004 | 918 |
| Greater than 120 days | 125,486 | 80,057 |
| | **$ 131,795** | **$ 84,531** |

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, 2019 and 2018.

### Note 4 - Pledges and Grants Receivable

Pledges receivable are discounted at rates ranging from 0.88 percent to 1.84 percent and are due as follows at June 30:

| | 2019 | 2018 |
|---|---|---|
| Less than one year | $ 329,415 | $ 95,311 |
| One to five years | 264,848 | 10,090 |
| | 594,263 | 105,401 |
| Less allowance for doubtful pledges | (32,200) | (5,600) |
| Less discount to present value | (8,000) | (1,000) |
| | **$ 554,063** | **$ 98,801** |

### Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

| Asset | Country | 2019 | 2018 |
|---|---|---|---|
| Furniture and equipment | United States | $ 186,447 | $ 207,760 |
| | Nicaragua | 163,118 | 132,248 |
| | Honduras | 16,198 | 14,290 |
| Vehicles | Nicaragua | 180,886 | 188,414 |
| | Honduras | 33,125 | 33,125 |
| Leasehold improvements | United States | 11,083 | 11,083 |
| | | 590,857 | 586,920 |
| Less accumulated depreciation | | (441,619) | (418,698) |
| | | **$ 149,238** | **$ 168,222** |

### 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.

**Note 6 - Continued**

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 $568,405 and $538,453 as of June 30, 2019 and 2018, 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 years ended June 30, 2019 and 2018, $24,243 and $26,801, respectively, 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 years ended June 30, 2019 and 2018, $22,737 and $73,032, respectively, of cost of land and accumulated payments liability were removed from the consolidated statement of financial position due to title transfers.

The parcels of land held in the following countries were as follows at June 30, 2019 and 2018:

| Country | 2019 Carrying Value | 2018 Carrying Value |
|---|---|---|
| Nicaragua | $ 1,785,815 | $ 1,785,815 |
| Honduras | 95,638 | 114,876 |
| El Salvador | 16,529 | 20,028 |
| | **$ 1,897,982** | **$ 1,920,719** |

**Note 7 - Lease Commitments**

The Organization has a lease for office space under a noncancelable lease agreement expiring January 2023. In October 2019 the Organization assigned this lease to an unrelated third party and subleased a portion of the space. The new sublease requires monthly rental payments and expires in January 2023. The required rental payments for the sublease are included in the future minimum rent payment 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 one to three years.

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

| For the Year Ending June 30, | |
|---|---|
| 2020 | $ 68,016 |
| 2021 | 52,815 |
| 2022 | 47,750 |
| 2023 | 28,335 |
| | **$ 196,916** |

Lease expense for all operating leases totaled $105,032 and $139,235 for the years ended June 30, 2019 and 2018, respectively.

### Note 8 - Line of Credit and Note Payable

In July 2018 the Organization obtained a revolving line of credit with a bank that allows for total borrowings of $500,000. Monthly payments of interest are required. The line carries variable interest at the prime rate and matures in August 2020. The line is secured by the Organization's inventory, accounts and equipment and personal guarantees of six individuals that are members of the board of directors or supporters of the organization. There were no outstanding borrowings on the line at June 30, 2019 and 2018.

In August 2018 the Organization borrowed $250,000 from a trust controlled by a member of the Organization's board of directors. The borrowing is evidenced by a note payable agreement that requires annual interest payments with principal due at maturity of the note in August 2023 and includes annual interest payments at 4%. The note is unsecured.

### Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30:

| | 2019 | 2018 |
|---|---|---|
| Time restrictions | $ 613,830 | $ 125,000 |
| Program restrictions- | | |
| Village development | 872,135 | 868,166 |
| Land | 239,177 | 218,147 |
| Agricultural and enterprise loans | 1,687 | 8,491 |
| Other programs | 10,431 | |
| Noemí Fund | 645,794 | 830,910 |
| | $ 2,383,054 | $ 2,050,714 |

The Organization's Noemí Fund (the Fund) totaled $645,794 and $830,910 as of June 30, 2019 and 2018, respectively. These amounts represent contributions to 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 expendable and donor-restricted to pay for direct operating costs and overhead of the Fund. During the year ended June 30, 2019 certain donors released their restrictions on prior gifts to the Fund and the Organization's board approved the write-off of all Guatemala receivables. As such, the balance of the Fund was decreased by $185,116.

## Note 10 - Liquidity and Availability of Financial Assets

The Organization is substantially supported by individuals and private foundation grantmaking. The Organization's working capital and cash flows have seasonal variations during the year attributable primarily to the timing of special fundraising events and concentration of contributions received near calendar year end. Additionally, the seasonal cash flows is based on agricultural investments and the Central American farming cycle. To manage liquidity, the Organization maintains a line of credit of $500,000 with a bank that is drawn upon if needed during the year to manage cash flow. Additionally, the Organization has a $250,000 low interest loan from a long-term board member from August 2018 that will be payable in five years. See Note 8 for further description of this line and loan. The Organization's finance staff and board finance committee maintains a monthly review and forecast of the cash movement through the year. The Organization's goal is to maintain cash on hand to meet 60 days of normal operating expenses, which is approximately an average of $420,000.

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure were as follows at June 30:

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $ 628,686 | $ 500,255 |
| Microloans receivable from community members, net | 174,244 | 196,907 |
| Pledges and grants receivable, net | 554,063 | 98,801 |
| Total financial assets | 1,356,993 | 795,963 |
| Receivables scheduled to be collected in more than one year | (256,848) | (9,090) |
| Donor-imposed restrictions- | | |
| Net assets with donor restrictions | (2,383,054) | (2,050,714) |
| Add back amounts invested in nonfinancial assets, primarily land | 884,971 | 1,049,057 |
| Add back amounts available for village development and other programs that are part of general expenditures | 882,566 | 868,166 |
| **Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year** | **$ 484,628** | **$ 653,382** |