Agros International and Affiliate

Consolidated Financial Statements with
Independent Auditor's Report

Year Ended December 31, 2021

Larson Gross

Agros International and Affiliate

Contents

Page

Independent Auditor's Report 1-2

Consolidated Financial Statements

Consolidated Statement of Financial Position 3

Consolidated Statement of Activities 4

Consolidated Statement of Functional Expenses 5

Consolidated Statement of Cash Flows 6

Notes to Consolidated Financial Statements 7-13

Larson Gross

Independent Auditor's Report

To the Board of Directors
Agros International and Affiliate
Bellingham, Washington

Opinion

We have audited the accompanying consolidated financial statements of Agros International and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Agros International and Affiliate as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Agros International and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Agros International and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

800 447 0177 • larsongross.com

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Agros International and Affiliate's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agros International and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Larson Gross PLLC

Bellingham, Washington
November 8, 2022

Agros International and Affiliate

Consolidated Statement of Financial Position

December 31, 2021

Assets		
Cash and cash equivalents	$	2,070,724
Prepaid expenses and other assets		45,911
Microloans receivable from community members, net		398,345
Pledges and grants receivable, net		644,443
Accounts receivable		201,941
Land held for village development, net		1,724,629
Property and equipment, net		266,190
Total assets	$	5,352,183
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	320,741
Agency funds payable		321,808
Land loan payments		490,576
Paycheck Protection Program loan		171,165
Total liabilities		1,304,290
Net assets		
Without donor restrictions		1,386,378
With donor restrictions		2,661,515
Total net assets		4,047,893
Total liabilities and net assets	$	5,352,183

Agros International and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	$ 1,962,372	$ 1,993,629	$ 3,956,001
Other income	79,083	-	79,083
Gain on sale of land	51,325	-	51,325
Interest income	1,306	-	1,306
Net assets released from restriction	2,160,118	(2,160,118)	-
Total revenues	4,254,204	(166,489)	4,087,715
Expenses			
Program	2,465,887	-	2,465,887
Administration	308,901	-	308,901
Resource development	607,820	-	607,820
Total expenses	3,382,608	-	3,382,608
Change in net assets	871,596	(166,489)	705,107
Net assets – beginning of year	514,782	2,828,004	3,342,786
Net assets – end of year	$ 1,386,378	$ 2,661,515	$ 4,047,893

Agros International and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Expenses							
	International Program Services	Nicaragua	El Salvador	Honduras	Total Program	Administration	Resource Development	Total
Salaries, payroll taxes and benefits	$ 315,529	$ 351,590	$ -	$ 52,275	$ 719,394	$ 166,678	$ 254,820	$ 1,140,892
Grants to Guatemala program	788,405	-	-	-	788,405	-	-	788,405
Professional services	24,760	161,730	4,039	5,804	196,333	89,078	127,136	412,547
Project costs and infrastructure	-	207,382	-	40,087	247,469	-	559	248,028
Fees, taxes and licenses	3,607	118,382	-	20,160	142,149	10,651	50,122	202,922
Rent and occupancy	20,808	79,016	-	238	100,062	18,191	25,757	144,010
Travel	22,673	56,105	-	4,425	83,203	12,478	15,893	111,574
Other	1,152	22,338	-	8,056	31,546	1,081	63,312	95,939
Depreciation	3,794	54,035	-	1,304	59,133	2,485	6,802	68,420
Vehicle expense and local transportation	-	46,228	-	1,592	47,820	-	-	47,820
Training, conferences and staff development	508	2,379	-	78	2,965	2,599	30,222	35,786
Printing and publications	502	868	-	55	1,425	469	22,090	23,984
Telephone and communications	1,717	13,171	-	562	15,450	1,569	2,175	19,194
Insurance	3,587	2,895	-	552	7,034	3,356	4,628	15,018
Supplies and postage	483	6,440	-	91	7,014	266	4,304	11,584
Miscellaneous	2,456	-	-	8,220	10,676	-	-	10,676
Equipment rental and maintenance	-	5,809	-	-	5,809	-	-	5,809
Total expenses	$ 1,189,981	$ 1,128,368	$ 4,039	$ 143,499	$ 2,465,887	$ 308,901	$ 607,820	$ 3,382,608

Agros International and Affiliate

Consolidated Statement of Cash Flows

Year Ended December 31, 2021

Cash flows from operating activities	
Change in net assets	$ 705,107
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Land loan payments recognized as revenue	(81,360)
Gain on sale of land	(51,325)
Depreciation	68,420
Change in allowance for doubtful accounts	(76,226)
(Increase) decrease in assets	
Prepaid expenses and other assets	126,917
Microloans receivable from community members	(128,579)
Pledges and grants receivable, net	(131,941)
Accounts receivable	(201,941)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(13,881)
Agency funds payable	321,808
Net cash provided by operating activities	536,999
Cash flows from investing activities	
Land loan payments received from villagers	155,023
Purchases of property and equipment	(151,518)
Net cash provided by investing activities	3,505
Cash flows from financing activities	
Proceeds from Paycheck Protection Program loan	171,165
Net cash provided by financing activities	171,165
Net change in cash and cash equivalents	711,669
Cash and cash equivalents – beginning of year	1,359,055
Cash and cash equivalents – end of year	$ 2,070,724

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Agros International (Agros) was formed in October 1984 with a mission to break the cycle of poverty and create paths to prosperity for farming families in rural Latin America. Agros has provided development assistance to Agros villages (projects) in Guatemala, El Salvador, Nicaragua, Honduras and Mexico, helping families achieve food security, organize self-sustaining communities, develop agricultural businesses and obtain potable water and other essential needs.

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 in Washington State on June 23, 2010, for the purpose of purchasing and holding land in countries where Agros works.

Principles of consolidation – The accompanying consolidated financial statements present the consolidated financial position and consolidated changes in net assets and cash flows of Agros and Land Hope Life (collectively referred to as "the Organization"). All significant intercompany transactions and balances have been eliminated the consolidated financial statements (collectively, the financial statements).

Basis of accounting – The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP), which involves the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – Net assets, revenue, expenses, 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:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization are classified as net assets without donor restrictions. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specific or unspecific purposes are classified as net assets with donor restrictions.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities as net assets released from restriction.

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 net assets with perpetual donor restrictions 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.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Cash and cash equivalents – Cash and cash equivalents consists of checking and money market accounts and, for purposes of cash flows, are defined as all highly liquid investments with an initial maturity of three months or less. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year.

Cash and cash equivalents balances in foreign countries as of December 31, 2021 totaled $120,234.

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 change in net assets 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 revenue 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 met and the promises become unconditional.

Approximately 37% of the Organization's receivables were due from three entities as of December 31, 2021.

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.

In-kind donations – 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 in-kind donations during the year ended December 31, 2021.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and administration. Due to applicable accounting guidelines, these were not recognized as contributions in the consolidated financial statements.

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).

Note 1 – Summary of Significant Accounting Policies – (Continued)

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 statement of activities as other expenses.

Functional expense allocation – Costs of providing programs and activities are summarized by functional category in the accompanying statement of activities and statement of functional expenses. Costs directly identifiable with specific program or support functions are charged to the related programs or supporting services. Certain expenses related to more than one function are allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. 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.

Use of estimates – The preparation of consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 8, 2022, the date the consolidated financial statements were available to be issued.

Note 2 – 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. 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 $560,000.

Note 2 – Liquidity and Availability of Financial Assets – (Continued)

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure were as follows at December 31, 2021:

Cash and cash equivalents	$ 2,070,724
Microloans receivable from community members, net	398,345
Pledges and grants receivable, net	644,443
Accounts receivable	201,941
Total financial assets	3,315,453
Receivables scheduled to be collected in more than one year	(212,000)
Donor-imposed restrictions	
Net assets with donor restrictions	(2,661,515)
Add back amounts invested in nonfinancial assets, primarily land available for village development and other programs that are part of general expenditures	1,724,629
Financial assets available to meet cash needs for general expenditures within one year	$ 2,166,567

Note 3 – Microloans

The Organization makes loans to families in various foreign countries to help build self-sustaining and thriving communities. The loans are funded by a combination of contributions with and without donor restrictions.

Microloans consisted of the following at December 31, 2021:

Microloans	$ 460,317
Less allowance for doubtful accounts	
Beginning balance	(136,107)
Write-off of loan balances against the allowance	74,135
Ending balance	(61,972)
Microloans receivable, net	$ 398,345

The following amounts of microloans were past due at December 31, 2021:

30 to 60 days	$ 2,047
61 to 90 days	9,103
91 to 120 days	214
Greater than 120 days	140,920
	$ 152,284

Note 3 – Microloans – (Continued)

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 Central America at December 31, 2021.

Note 4 – Pledges and Grants Receivable

Pledges and grants receivable are due as follows at December 31, 2021:

Less than one year	$ 502,335
One to five years	166,918
	669,253
Less allowance for doubtful pledges	(24,810)
	$ 644,443

Management has determined that a discount of long-term receivables would be immaterial as of December 31, 2021.

Note 5 – Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

Asset	Country	Balance
Furniture and equipment	United States	$ 269,456
	Nicaragua	249,516
	Honduras	12,187
Vehicles	Nicaragua	30,604
	Honduras	23,438
Leasehold improvements	United States	11,083
Less accumulated depreciation		(330,094)
		$ 266,190

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 held for development is capitalized on the Organization's consolidated statement 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 $490,576 as of December 31, 2021. 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 December 31, 2021, $81,360 of gain was recorded. At completion of the payment period, title is transferred to the individual villagers and the cost of the land and cumulative payments are removed from the consolidated statement of financial position at the amount received. During the year ended December 31, 2021, $131,881 of cost of land and cumulative payments previously recognized as a liability were removed from the consolidated statement of financial position due to title transfers. During the year ended December 31, 2021, there were no acquisitions of land held for village development. All land held for development is held outside of the United States.

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 at December 31, 2021:

2022	$ 154,302
2023	18,187
	$ 172,489

Lease expense for all operating leases totaled $94,080 for the year ended December 31, 2021.

Note 8 – Paycheck Protection Program Loan

In February 2021, the Organization received a $171,165 loan from the Federal Payroll Protection Program. This loan accrues interest at 1%, is guaranteed by the Small Business Administration, and may be forgivable if the Organization's use of funds meets the criteria for such forgiveness. Monthly accrued interest payments begin January 2022. The portion of the loan that is not forgiven, if any, is due in one principal payment in March 2023. Subsequent to December 31, 2021, the loan was fully forgiven by the Small Business Administration in April 2022 and has been presented as a liability on the accompanying consolidated statement of financial position as of December 31, 2021.

Note 9 – Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2021:

Program restrictions	$ 1,435,994
Time restrictions	613,129
Noemí Fund	612,392
	$ 2,661,515

The Organization's Noemí Fund (the Fund) totaled $612,392 as of December 31, 2021. 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. According to donor stipulations, 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.

Note 10 – Related Party Transactions

The Organization 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. The accompanying consolidated financial statements for the year period ended December 31, 2021 do not include the accounts of Fundación Agros. Grants provided to Fundación Agros are included in the detail on the consolidated statement of functional expense as a part of program activities and totaled $788,405 for the year ended December 31, 2021.

Note 11 – Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases*. This guidance, as amended by subsequent ASU's on the topic, requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, are required. Application is required for annual periods beginning after December 15, 2021. The Organization expects to adopt this standard on January 1, 2022. While the Organization is still evaluating impact of the new accounting guidance on its consolidated financial statements, based on management's preliminary assessment, the Organization will record assets and liabilities for long-term operating leases described in Note 7.

Note 12 – Subsequent Events

Subsequent to December 31, 2021, the Organization received a $1,000,000 cash donation to be held in perpetuity. As of the date of these consolidated financial statements, the Organization is in the process of setting up an endowment for the assets.