Agros International and Affiliate

Consolidated Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2022 and 2021

Larson Gross

Agros International and Affiliate

Contents

Independent Auditor's Report

To the Board of Directors
Agros International and Affiliate

Opinion
We have audited the accompanying consolidated financial statements of Agros International and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits 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 audits. 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.

800 447 0177 • larsongross.com

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. 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 3, 2023

Agros International and Affiliate

Consolidated Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 1,961,914	$ 2,070,724
Prepaid expenses and other assets	80,747	45,911
Advances from related parties	382,454	-
Accounts receivable	2,674	201,941
Pledges and grants receivable, net	952,858	644,443
Microloans receivable from community members, net	302,585	398,345
Land held for village development, net	1,635,297	1,724,629
Beneficial interest in National Christian Foundation Northwest's Endowment Fund	997,879	-
Right-of-use asset	5,271	-
Property and equipment, net	246,828	266,190
Total assets	$ 6,568,507	$ 5,352,183
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 316,726	$ 320,741
Agency funds payable	-	321,808
Land loan payments	765,558	490,576
Operating lease liability	5,282	-
Notes payable	23,907	171,165
Total liabilities	1,111,473	1,304,290
Net assets		
Without donor restrictions	1,134,033	1,386,378
With donor restrictions	4,323,001	2,661,515
Total net assets	5,457,034	4,047,893
Total liabilities and net assets	$ 6,568,507	$ 5,352,183

Agros International and Affiliate

Consolidated Statements of Activities

Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues						
Contributions and grants	$ 1,661,175	$ 3,188,125	$ 4,849,300	$ 1,962,372	$ 1,993,629	$ 3,956,001
Other income	105,274	-	105,274	79,083	-	79,083
Interest income	4,503	-	4,503	1,306	-	1,306
Gain on sale of land	-	-	-	51,325	-	51,325
Loss on disposal of property and equipment	(250)	-	(250)	-	-	-
Net assets released from restriction	1,526,639	(1,526,639)	-	2,160,118	(2,160,118)	-
Total revenues	3,297,341	1,661,486	4,958,827	4,254,204	(166,489)	4,087,715
Expenses						
Program	2,490,530	-	2,490,530	2,465,887	-	2,465,887
Administration	274,289	-	274,289	308,901	-	308,901
Resource development	784,867	-	784,867	607,820	-	607,820
Total expenses	3,549,686	-	3,549,686	3,382,608	-	3,382,608
Changes in net assets	(252,345)	1,661,486	1,409,141	871,596	(166,489)	705,107
Net assets – beginning of year	1,386,378	2,661,515	4,047,893	514,782	2,828,004	3,342,786
Net assets – end of year	$ 1,134,033	$ 4,323,001	$ 5,457,034	$ 1,386,378	$ 2,661,515	$ 4,047,893

Agros International and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Expenses							
	International Program Services	Nicaragua	El Salvador	Honduras	Total Program	Administration	Resource Development	Total
Salaries, payroll taxes and benefits	$ 206,837	$ 359,964	$ -	$ 7,243	$ 574,044	$ 148,412	$ 457,357	$ 1,179,813
Grants to Guatemala program	720,961	-	-	-	720,961	-	-	720,961
Professional services	19,410	356,206	1,800	12,179	389,595	71,574	47,914	509,083
Project costs and infrastructure	-	262,197	-	155	262,352	-	-	262,352
Other	9,270	106,631	-	3,527	119,428	1,286	134,942	255,656
Rent and occupancy	19,646	87,650	-	4	107,300	18,423	25,430	151,153
Fees, taxes and licenses	45,930	31,809	-	4,767	82,506	22,309	45,467	150,282
Travel	23,696	33,441	33	6,540	63,710	79	31,198	94,987
Depreciation	4,312	72,826	-	-	77,138	2,825	7,732	87,695
Vehicle expense and local transportation	61	41,868	-	5,518	47,447	-	195	47,642
Insurance	1,846	9,086	-	461	11,393	2,931	6,108	20,432
Telephone and communications	902	12,859	-	253	14,014	1,484	3,115	18,613
Supplies and postage	154	6,994	-	520	7,668	350	10,158	18,176
Printing and publications	294	239	-	3	536	417	14,797	15,750
Equipment rental and maintenance	-	9,328	-	69	9,397	-	-	9,397
Training, conferences and staff development	241	1,064	-	-	1,305	4,199	454	5,958
Miscellaneous	1,486	-	-	250	1,736	-	-	1,736
Total expenses	$ 1,055,046	$ 1,392,162	$ 1,833	$ 41,489	$ 2,490,530	$ 274,289	$ 784,867	$ 3,549,686

The accompanying notes are an integral part of these financial statements.

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
Other	1,152	22,338	-	8,056	31,546	1,081	63,312	95,939
Rent and occupancy	20,808	79,016	-	238	100,062	18,191	25,757	144,010
Fees, taxes and licenses	3,607	118,382	-	20,160	142,149	10,651	50,122	202,922
Travel	22,673	56,105	-	4,425	83,203	12,478	15,893	111,574
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
Insurance	3,587	2,895	-	552	7,034	3,356	4,628	15,018
Telephone and communications	1,717	13,171	-	562	15,450	1,569	2,175	19,194
Supplies and postage	483	6,440	-	91	7,014	266	4,304	11,584
Printing and publications	502	868	-	55	1,425	469	22,090	23,984
Equipment rental and maintenance	-	5,809	-	-	5,809	-	-	5,809
Training, conferences and staff development	508	2,379	-	78	2,965	2,599	30,222	35,786
Miscellaneous	2,456	-	-	8,220	10,676	-	-	10,676
Total expenses	$ 1,189,981	$ 1,128,368	$ 4,039	$ 143,499	$ 2,465,887	$ 308,901	$ 607,820	$ 3,382,608

The accompanying notes are an integral part of these financial statements.

Agros International and Affiliate

Consolidated Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Changes in net assets	$ 1,409,141	$ 705,107
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Net depreciation in beneficial interest in National Christian Foundation's Endowent Fund	2,121	-
Forgiveness of Paycheck Protection Program loan	(171,165)	-
Contributions restricted to be held in perpetuity	(1,000,000)	
Land loan payments recognized as revenue	-	(81,360)
Loss (gain) on sale of land	250	(51,325)
Depreciation	87,695	68,420
Noncash lease cost	11	-
Change in allowance for doubtful accounts	(61,291)	(76,226)
(Increase) decrease in assets		
Advances from related parties	(382,454)	-
Prepaid expenses and other assets	(34,836)	126,917
Microloans receivable from community members	157,051	(128,579)
Pledges and grants receivable, net	(308,415)	(131,941)
Accounts receivable	199,267	(201,941)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,015)	(13,881)
Agency funds payable	(321,808)	321,808
Net cash provided (used) by operating activities	(428,448)	536,999
Cash flows from investing activities		
Land loan payments received from villagers	364,314	155,023
Purchase of a beneficial interest	(1,000,000)	-
Purchases of property and equipment	(40,583)	(151,518)
Net cash provided (used) by investing activities	(676,269)	3,505
Cash flows from financing activities		
Principal payments on notes payable	(4,093)	-
Contributions restricted to be held in perpetuity	1,000,000	-
Proceeds from Paycheck Protection Program loan	-	171,165
Net cash provided by financing activities	995,907	171,165
Net change in cash and cash equivalents	(108,810)	711,669
Cash and cash equivalents – beginning of year	2,070,724	1,359,055
Cash and cash equivalents – end of year	$ 1,961,914	$ 2,070,724
Supplemental disclosure of cash flow information		
Noncash investing and financing activities:		
Vehicles purchased with long-term debt	$ 28,000	$ -

The accompanying notes are an integral part of these financial statements.

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 a branch office in Nicaragua.

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 in the consolidated 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 totaled $265,330 and $120,234 as of December 31, 2022 and 2021, 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 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 70% and 37% of the Organization's receivables were due from two and three entities as of December 31, 2022 and 2021, respectively.

Beneficial interest in National Christian Foundation Northwest's Endowment Fund (the Endowment Fund) – The Organization holds an interest in the future return on investments held by National Christian Foundation Northwest (the Foundation). Beneficial interests in funds held by others represent resources neither in the possession nor under the control of the Organization, but held and administered by an outside fiscal agent. The Endowment Fund was established in April 2022 to encourage its members and supporters to make legacy gifts to the Endowment Fund and to create a stable and growing source of revenue to support the Organization's mission. In accordance with generally accepted accounting principles, the Organization presents its donor-designated investment balance as net assets with donor restrictions. The Foundation may make distributions from a portion of the Endowment Fund's earnings and/or principal as determined by the Foundation distribution policy. The Organization's advisor may recommend distributions from the Endowment Fund, and it is the intent of the Organization maintain patron contributions to the Endowment Fund in perpetuity.

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.

Leases – The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 842, *Leases*, in the Accounting Standards Codification (ASC). Topic 842 supersedes previous guidance in FASB ASC 840, *Leases*, and is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet.

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

Leases – (Continued) – The Organization adopted the new guidance as of January 1, 2022, the effective date, utilizing the optional transition method with financial statements prior to the effective date presented in accordance with previous guidance. The Organization elected the package of practical expedients within the new standard, which among other things, allowed it to carry forward the historical lease classification. The adoption of FASB ASC 842 resulted in the recognition of operating lease liabilities and right-of-use assets of $68,387 as of January 1, 2022. The adoption of Topic 842 did not have a material impact on the Organization's results of operations or cash flows for the year ended December 31, 2022.

The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected not to record right-of-use assets and lease liabilities for leases with an initial term of 12 months or less and recognizes lease expense on a straight-line basis over the lease term.

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 years ended December 31, 2022 and 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).

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.

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

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 3, 2023, 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 $590,000.

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

	2022	2021
Cash and cash equivalents	$ 1,961,914	$ 2,070,724
Beneficial interest in National Christian Foundation Northwest's Endowment Fund	997,879	-
Advances from related parties	382,454	-
Microloans receivable from community members, net	302,585	398,345
Pledges and grants receivable, net	952,858	644,443
Accounts receivable	2,674	201,941
Total financial assets	4,600,364	3,315,453
Receivables scheduled to be collected in more than one year	(249,989)	(212,000)
Donor-imposed restrictions		
Net assets with donor restrictions	(4,323,001)	(2,661,515)
Add back amounts invested in nonfinancial assets, land available for village development	1,635,297	1,724,629
Financial assets available to meet cash needs for general expenditures within one year	$ 1,662,671	$ 2,166,567

Note 3 – The Endowment Fund

The endowment of the Organization consists of donor-restricted funds. As required by Accounting Principles Generally Accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions. Funds are released from restrictions upon appropriation for use and when the Organization incurs expenses that are in accordance with donor restrictions.

Interpretation of Relevant Law

The State of Washington has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as generally requiring that the amount of the original gift and any required accumulations are not expendable as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund that has not yet been appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) Duration and preservation of the fund
2) Purposes of the Organization and the donor-restricted endowment fund
3) General economic conditions
4) Possible effect of inflation and deflation
5) Expected total return from investment income and appreciation or depreciation of investments
6) Other resources of the Organization
7) Investment policies of the Organization

Change in endowment net assets were as follows for the year ended December 31, 2022:

Endowment net assets, beginning of year	$ -
Contributions	1,000,000
Net investment return	(2,121)
Endowment net assets, end of year	$ 997,879

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the primary investment objective of the Organization is to preserve and protect its assets by earning a total return appropriate to the time horizon, liquidity needs, and risk tolerance. The Organization expects its endowment funds, over time, to provide an average rate of return equal to the prior ten-year historical average rate of return. Actual returns in any given year may vary from this amount.

Note 3 – The Endowment Fund – (Continued)

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve long-term growth of the endowment fund with prudent risk constraints. No disbursements of earnings will be made for five years.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization has a current policy of evaluating an assumed rate of return and using that rate to determine the appropriate distribution while maintaining the balance. In establishing this policy, the Organization considered the long-term expected return on its endowment and the Board wants the endowment to grow in the future. The Board of Directors may distribute expected yearly gains from the endowment fund, to support annual operations, determined by the Board. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in restricted net assets. As of December 31, 2022, a fund with an original gift value of $1,000,000, fair value of $997,879, and deficiency of $2,121 was reported in net assets with donor restrictions. This deficiency resulted from administrative fees charged by National Christian Foundation Northwest, the outside fiscal agent of the endowment fund. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The board of directors did not appropriate any expenditures from the underwater endowment fund during the year.

Note 4 – Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In applying the fair value hierarchy, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

> Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access.
>
> Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Note 4 – Fair Value Measurements – (Continued)

Level 3: Inputs to the valuation methodology that are unobservable for the asset or liability and significant to the fair value measurement.

The Endowment Fund is valued using Level 3 inputs in the fair value hierarchy and totaled $997,879 at December 31, 2022.

Note 5 – 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 as of December 31:

	2022	2021
Microloans	$ 303,266	$ 460,317
Less allowance for doubtful accounts		
Beginning balance	(61,972)	(136,107)
Write-off of loan balances against the allowance	61,291	74,135
Ending balance	(681)	(61,972)
Microloans receivable from community members, net	$ 302,585	$ 398,345

The following amounts of microloans were past due as of December 31:

	2022	2021
30 to 60 days	$ 2,464	$ 2,047
61 to 90 days	3,196	9,103
91 to 120 days	1,063	214
Greater than 120 days	121,241	140,920
	$ 127,964	$ 152,284

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 as of December 31, 2022 and 2021.

Note 6 – Pledges and Grants Receivable

Pledges and grants receivable are due as follows as of December 31:

	2022	2021
Less than one year	$ 722,923	$ 502,335
One to five years	249,989	166,918
	972,912	669,253
Less allowance for doubtful pledges	(20,054)	(24,810)
	$ 952,858	$ 644,443

Management has determined that a discount of long-term receivables would be immaterial as of December 31, 2022 and 2021.

Note 7 – Property and Equipment

Property and equipment consisted of the following as of December 31:

Asset	Country	2022	2021
Furniture and equipment	United States	$ 249,913	$ 269,456
	Nicaragua	300,231	249,516
	Honduras	10,431	12,187
Vehicles	Nicaragua	64,336	30,604
	Honduras	23,082	23,438
Leasehold improvements	United States	11,083	11,083
Less accumulated depreciation		(412,248)	(330,094)
		$ 246,828	$ 266,190

Note 8 – 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 $765,558 and $490,576 as of December 31, 2022 and 2021, 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 December 31, 2022, no gain was recorded. During the year ended December 31, 2021, $81,360 of gain was recorded.

Note 8 – Land Held for Village Development – (Continued)

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 years ended December 31, 2022 and 2021, $89,332 and $131,881, respectively, of cost of land and cumulative payments previously recognized as a liability were removed from the consolidated statements of financial position due to title transfers. During the years ended December 31, 2022 and 2021, there were no acquisitions of land held for village development. All land held for development is held outside of the United States.

Note 9 – Leases

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. In January 2023 the Organization signed a new contract to lease the space until August 2023. 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.

Maturities of lease liabilities as of December 31 are as follows:

2023	$ 5,284
Less imputed interest	(2)
Lease liabilities	$ 5,282

A summary of lease costs and related information follows for the period ended December 31, 2022:

Lease cost	
Operating lease cost	$ 68,547
Other information	
Weighted average remaining lease term	0.1 years
Weighted average discount rate	0.40%

The following table provides the future minimum lease payments under noncancelable operating leases with lease terms in excess of one year as of December 31, 2021, recognized under previous guidance:

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

Rent expense, recognized under previous guidance, totaled $94,080 for the year ended December 31, 2021.

Note 10 – Paycheck Protection Program Loan

In February 2021, the Organization received a $171,165 loan from the Federal Payroll Protection Program. This loan accrued interest at 1%, was guaranteed by the Small Business Administration, and was forgivable if the Organization's use of funds met the criteria for such forgiveness. Monthly accrued interest payments were schedule to begin January 2022. The loan was fully forgiven by the Small Business Administration in April 2022 and is included in contributions and grants revenue on the accompanying consolidated statement of activities for the year ended December 31, 2022.

Note 11 – Net Assets With Donor Restrictions

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

	2022	2021
Program restrictions	$ 2,357,501	$ 1,435,994
Beneficial interest in National Christian Foundation Northwest's Endowment Fund	997,879	-
Noemí Fund	612,392	612,392
Time restrictions	355,229	613,129
	$ 4,323,001	$ 2,661,515

The Organization's Noemí Fund (the Fund) totaled $612,392 as of December 31, 2022 and 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 12 – 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 years ended December 31, 2022 and 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 $720,961 and $788,405 for the years ended December 31, 2022 and 2021, respectively. Advances to Fundación Agros are included in on the consolidated statements of financial position and totaled $382,454 as of December 31, 2022. No advances were due from Fundación Agros as of December 31, 2021.

Note 13 – Subsequent Events

Subsequent to year end, the Organization signed promissory note agreements with individual donors, totaling $505,000. The notes have interest only payments at 3% annually beginning June 2024 with a balloon payment due in June 2026 and are unsecured.