

FRIENDS OF CHIMBOTE

**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

WITH INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of Chimbote
Fargo, North Dakota

We have audited the accompanying financial statements of the **Friends of Chimbote** (a North Dakota nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the related statement of functional expenses as of December 31, 2018.

In the year of adoption of Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, the Organization has elected to omit the statement of functional expenses and liquidity and availability note disclosure for year ended December 31, 2017.

Management's Responsibility for the Financial Statements

The Organization's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Friends of Chimbote** as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended and functional expenses for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the basic financial statements in 2018, the **Friends of Chimbote** adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.


Widmer Pool
 Fargo, North Dakota
 August 12, 2019

FRIENDS OF CHIMBOTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 187,458	\$ 363,147
Contributions receivable	81,325	64,996
Prepaid expenses	5,129	4,132
Land held for sale	-	18,500
Total current assets	273,912	450,775
INVESTMENTS	384,080	439,154
CASH SURRENDER VALUE OF LIFE INSURANCE	37,041	62,866
Total assets	\$ 695,033	\$ 952,795
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 18,092	\$ 14,652
Accrued payroll liabilities	18,068	32,749
Total current liabilities	36,160	47,401
NET ASSETS		
Without donor restrictions		
Board designated	412,501	498,199
Undesignated	246,372	407,195
Total net assets	658,873	905,394
Total liabilities and net assets	\$ 695,033	\$ 952,795

FRIENDS OF CHIMBOTE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

CHANGES IN NET ASSETS	<u>2018</u>	<u>2017</u>
Support and revenue		
General mission contributions	\$ 547,733	\$ 651,098
Designated funds contributions	208,269	207,961
Contributions of container goods	185,851	181,633
Contributions of investments	58,385	28,771
Contributions of land	-	18,500
Contributions of services	24,530	24,000
Contributions - special events	416,684	338,814
Special event revenue, net direct benefits to donors of \$17,625 and \$12,492, respectively	(11,175)	(3,392)
Investment income (loss)	(9,885)	72,168
Other income	-	19
	<u>1,420,392</u>	<u>1,519,572</u>
Expenses		
Program services	1,327,331	1,272,793
Management and general	137,928	159,149
Fundraising	<u>201,654</u>	<u>190,321</u>
	<u>1,666,913</u>	<u>1,622,263</u>
Change in net assets	<u>(246,521)</u>	<u>(102,691)</u>
NET ASSETS, BEGINNING OF YEAR	<u>905,394</u>	<u>1,008,085</u>
NET ASSETS, END OF YEAR	<u><u>\$ 658,873</u></u>	<u><u>\$ 905,394</u></u>

FRIENDS OF CHIMBOTE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Mission Visit</u>	<u>Container</u>	<u>Other Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	
Salaries and wages	\$ 8,738	\$ -	\$ -	\$ 48,934	\$ 117,092	\$ 174,764
Payroll taxes	668	-	-	3,743	8,958	13,369
Employee benefits	20	-	-	273	114	407
Grants	152,416	-	939,556	-	-	1,091,972
Goods and supplies - Peru	-	191,378	-	-	-	191,378
Mission groups	10,584	-	-	-	-	10,584
Fundraising	-	-	-	-	72,811	72,811
General and administrative	-	-	-	37,986	-	37,986
Other operating expenses	-	-	-	583	-	583
Professional services	-	-	-	12,698	-	12,698
Rent expense	-	15,600	-	19,176	-	34,776
Container shipping expense	-	8,371	-	-	-	8,371
Repair and maintenance expenses	-	-	-	4,684	-	4,684
Travel and entertainment	-	-	-	9,851	2,679	12,530
Total expenses by function	\$ <u>172,426</u>	\$ <u>215,349</u>	\$ <u>939,556</u>	\$ <u>137,928</u>	\$ <u>201,654</u>	\$ <u>1,666,913</u>

FRIENDS OF CHIMBOTE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (246,521)	\$ (102,691)
Adjustments to reconcile net change in net assets to net cash used in operating activities		
Investment (income) loss	9,885	(72,168)
Contributions of investments	(30,945)	(43,358)
Contributions of land	-	(18,500)
Loss on sale of land	700	-
Change in net cash surrender value of life insurance	25,825	20,641
Changes in assets and liabilities		
Contributions receivable	(16,329)	(15,411)
Prepaid expenses	(997)	(422)
Accounts payable	3,440	10,436
Accrued payroll liabilities	(14,681)	22,982
	<u>(269,623)</u>	<u>(198,491)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(270,435)	(15,309)
Proceeds from sale of investments	346,569	200,243
Proceeds from sale of land	17,800	-
	<u>93,934</u>	<u>184,934</u>
Net cash provided by investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(175,689)	(13,557)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>363,147</u>	<u>376,704</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 187,458</u>	<u>\$ 363,147</u>

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Friends of Chimbote (the “Organization”) located in Fargo, North Dakota, is a faith-based organization dedicated to supporting programs that improve and transform the lives of the poor of Chimbote, Peru, by primarily supporting the operations of Asociación Civil de Apoyo Familiar (“ACAF”), which is a nonprofit organization located in Peru. The Organization’s operations are funded through contributions from individual donors and various organizations.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to readers.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board *Accounting Standards Codification* (“ASC”), which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board-designated net assets are without donor restrictions and are reported as a part of the net assets without donor restriction class.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources that resources are maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash or cash equivalents. Excluded from the definition of cash equivalents are such amounts that have been designated by the Board for investments.

Concentrations of Credit Risk

The Organization maintains cash balances at a local financial institution. At times, the Organization’s bank balances exceed the federally insured limits. At December 31, 2018 and 2017, the Organization’s uninsured cash balances totaled \$-0- and \$113,147, respectively.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Revenue Recognition

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated tie restrictions ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized.

All promises to give were considered collectible and receivable within one year at December 31, 2018 and 2017, and no allowance for uncollectible amounts was established.

Investments

Investments are stated at fair value in the statements of financial position, with realized and unrealized gains and losses included in the statements of activities and changes in net assets. Investment income and losses represent the gains and losses, dividends and interest income, and fees from investments.

Investments acquired by donation are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all donations of investments as soon as possible after the donation has been received.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year. The average cost method is used to determine the cost of the investments.

The Organization's investments are exposed to various risks, such as fluctuation in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Cash Surrender Value of Life Insurance Policies

The Organization is the beneficiary under flexible premium adjustable life insurance policies. The policies are valued based on the cash surrender values less applicable surrender penalties and outstanding loans.

Donated Assets and Services

Assets received through donations are recorded and reflected in the accompanying financial statements at their fair values at the date they were received. Donated services are recorded at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

The Organization collected a variety of in-kind contributions of items, such as personal hygiene items, baby supplies, school supplies, and medical equipment and supplies. These goods are shipped to Peru in containers on an annual basis. The contributions of these goods are included as contributions of container goods and program service expense in the accompanying statements of activities and changes in net assets, and functional expenses.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

The Organization also collected a variety of in-kind contributions, such as gift cards, clothes, etc. These goods are used to raise money during the special event. The contributions of these goods are included as contributions – special events and as fundraising expense in the accompanying statements of activities and changes in net assets.

The Organization also received contributions of rent and contributions of storage space that are included as contributions of services and related expenses in the accompanying statements of activities and changes in net assets.

The Organization also received contribution of audio and visual services for the special events in 2017 and 2018 that are included as contributions – special events and fundraising expense in the accompanying statements of activities and changes in net assets.

The Organization received a contribution of land in 2017 without donor restrictions. In 2017 the Organization obtained an appraisal of the property; however, the fair market value in 2017 was determined based on the current sale price of an adjacent property and an offer the Organization had received for the property due to it more accurately reflected the current market value which is included as contributions of land in 2017 in the accompanying statements of activities and changes in net assets. In 2018 the land was sold.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This exempt status will continue in effect provided that the Organization does not change its purpose, character, or method of operation. The Organization files income tax returns in the U.S. federal jurisdiction. The organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The statement of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated between program services and supporting services include: salaries, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

New Accounting Pronouncement

Also during 2018, the Organization adopted ASU 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

<u>Net Assets Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Unrestricted			
Board Designated	\$ 498,199	\$ -	\$ 498,199
Undesignated	407,195	-	407,195
Net assets, as reclassified	<u>\$ 905,394</u>	<u>\$ -</u>	<u>\$ 905,394</u>

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Friends of Chimbote's financial assets as of December 31, 2018:

	<u>2018</u>
Assets available for use within one year.	
Cash and cash equivalents	\$ 187,458
Contributions receivable	81,325
Investments without donor restrictions	<u>384,080</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 652,863</u>

The Organization has financial assets available within one year of the balance sheet date consisting of cash, contributions receivable, and investments as seen in Note 3. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. There is also a life insurance policy with a current cash surrender value of \$37,041 available.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 – INVESTMENTS

Investments consisted of the following at December 31:

	2018	2017
Money market fund	\$ 25,958	\$ 28,693
Mutual funds	334,335	410,461
Exchange-traded funds	23,787	-
	\$ 384,080	\$ 439,154

Investment fees totaled \$-0- for the years ended December 31, 2018 and 2017.

NOTE 4 – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy in accordance with ASC 820 *Fair Value Measurements* are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Money Market Funds and Mutual Funds – Valued at the net asset value (“NAV”) of shares held by the Organization at year-end. Funds held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The funds held by the Organization are deemed to be actively traded.

Cash Surrender Value of Life Insurance Policies – Valued at the estimated amounts of payout from the insurance company in the event the policy is voluntarily terminated before its maturity, net of surrender charges and any outstanding loans.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market fund	\$ 25,958	\$ 25,958	\$ -	\$ -
Mutual funds - equity				
Domestic small-cap equity	62,668	62,668	-	-
Domestic mid-cap equity	48,385	48,385	-	-
Domestic large-cap equity	109,795	109,795	-	-
Domestic large-cap growth	45,953	45,953	-	-
Real estate	33,827	33,827	-	-
Mutual funds - fixed income				
Short-term bond	33,707	33,707	-	-
Exchange-traded funds				
Corporate stocks	23,787	23,787	-	-
Cash surrender value of life insurance	<u>37,041</u>	<u>-</u>	<u>37,041</u>	<u>-</u>
	<u>\$ 421,121</u>	<u>\$ 384,080</u>	<u>\$ 37,041</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market fund	\$ 28,693	\$ 28,693	\$ -	\$ -
Mutual funds - equity				
Domestic small-cap equity	66,681	66,681	-	-
Domestic mid-cap equity	60,036	60,036	-	-
Domestic large-cap equity	191,322	191,322	-	-
Domestic large-cap growth	17,203	17,203	-	-
Real estate	34,607	34,607	-	-
Mutual funds - fixed income				
Short-term bond	40,612	40,612	-	-
Cash surrender value of life insurance	<u>62,866</u>	<u>-</u>	<u>62,866</u>	<u>-</u>
	<u>\$ 502,020</u>	<u>\$ 439,154</u>	<u>\$ 62,866</u>	<u>\$ -</u>

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 – DESIGNATED NET ASSETS

The Organization’s Board designated net assets consisted of the following at December 31:

	2018	2017
Education	\$ 41,975	\$ 55,255
Endowment fund for contingencies	360,293	439,154
Mission group expenses	10,233	3,790
	\$ 412,501	\$ 498,199

NOTE 6 – BOARD-DESIGNATED ENDOWMENT FUND

The Organization has an endowment fund that was designated by the Board to be used as a long term contingency fund. As required by the accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions. The Organization’s endowment fund does not include any donor-restricted funds.

Interpretation of Relevant Law

The Board of Directors has determined that the Organization’s contributions are subject to the terms of its designated funds policies. Under the terms of the Organization’s designated funds policies, the Board of Directors retains the final authority to determine the use of the donor contributions. As a result, all contributions are classified as net assets without donor restrictions for financial statement purposes.

Spending Policy

The endowment fund is a Board designated fund, and, as such, is subject to appropriations of funds at the will of the Board. Currently, any contributions of investment securities designated by the Board for the endowment fund are converted to cash equivalents and appropriated for purposes advised by the donors or determined by the Board. Funds held in the endowment fund are appropriated for expenditures as determined necessary by the Board on as needed basis. Management fees are incorporated into the price per share for each mutual fund in the endowment.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy that attempts to preserve the purchasing power of the endowment fund after providing a source of income for the Organization. The secondary investment objective is the growth of the endowment funds. The objective is based on a ten-year investment horizon. The desired investment objective for the portfolio is to achieve a long-term real rate of return on assets that is approximately 5% greater than the assumed rate of inflation as measured by the Consumer Price Index. The target rate of return for the fund has been based upon an analysis of historical returns.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Changes in endowment net assets are as follows as of December 31:

Endowment net assets, December 31, 2016	\$ 508,562
Contributions	15,307
Investment income	70,296
Amounts appropriated for expenditure	<u>(155,011)</u>
Endowment net assets, December 31, 2017	439,154
Contributions	270,435
Investment loss	(8,916)
Amounts appropriated for expenditure	<u>(340,380)</u>
Endowment net assets, December 31, 2018	<u>\$ 360,293</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization conducts its charitable activities in Peru through a local nonprofit organization ACAF, which is a separate legal entity. The Organization provides most of the ACAF's funding and commits annually to a certain amount to be disbursed. Management considered the relationship with ACAF and determined that consolidation of ACAF's financial records in the Organization's financial statements is not permitted due to the fact that no controlling financial interest through ownership of a majority voting interest or economic interest exists. Economic interest, as defined in the professional standards, would occur if ACAF held or used significant resources to produce income or provide services for the Organization or if ACAF was responsible for the Organization's liabilities.

Amounts contributed to ACAF by the Organization were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Monetary contributions	\$ 1,091,972	\$ 1,059,435
Contributions of goods	<u>191,378</u>	<u>181,633</u>
	<u>\$ 1,283,350</u>	<u>\$ 1,241,068</u>

Contributions received by the Organization from the Board members totaled \$123,500 and \$127,793 during the years ended December 31, 2018 and 2017, respectively. Contribution receivables from the Board members totaled \$9,000 and \$-0- for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 – OPERATING LEASE

In 2015, the Organization leased an office space under an operating lease with monthly payments of \$800 through October 2015. Since November, 2015, the Organization continues to rent the office space on a month to month basis for \$800 a month. The office space rental is valued at \$1,500 a month and the Organization included the donated portion of the rent of \$8,400 in contributions of services and management and general expense in the statements of activities and changes of net assets.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
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The Organization also leases warehouse space for its donated goods storage free of charge under an annually renewable lease agreement. Fair value of storage space donated to the Organization was \$15,600 during the years ended December 31, 2018 and 2017, and was included in contributions of services and program services expense in the statements of activities and changes of net assets.

The Organization also leases a copier under a sixty month lease that will end in February 2020.

Rental expense totaled \$34,776 and \$34,776 for the years ended December 31, 2018 and 2017, respectively.

Minimum future payments required by operating leases are as follows:

2019	\$ 1,176
2020	<u>98</u>
	\$ <u><u>1,274</u></u>

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 12, 2019 the date the financial statements were able to be issued.