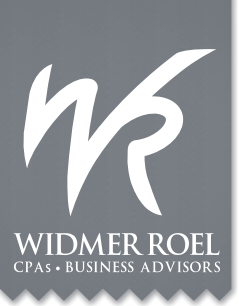


FRIENDS OF CHIMBOTE

**FINANCIAL STATEMENTS
DECEMBER 31, 2022**

WITH INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of the **Friends of Chimbote** (a North Dakota nonprofit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of **Friends of Chimbote** as of December 31, 2022, 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 Qualified Opinion

The Organization instructed us not to perform any procedures related to the manifest container, in-kind donations. As a result of this matter, we were unable to obtain sufficient appropriate audit evidence to draw reasonable conclusions on which to base our opinion over the manifest container, in-kind donations, included in the Statement of Activities and Changes in Net Assets.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 **Friends of Chimbote** 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 qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Friends of Chimbote's** ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 **Friends of Chimbote'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Friends of Chimbote'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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 of the financial statements, **Friends of Chimbote** adopted new accounting guidance by implementing the provisions of Financial Accounting Standards Board ("FASB") ASU No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Additional Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.



Fargo, North Dakota
October 30, 2023

FRIENDS OF CHIMBOTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 325,055
Contributions receivable	64,247
Prepaid expenses	<u>5,014</u>

Total current assets 394,316

INVESTMENTS, at fair value

609,689

Total assets \$ 1,004,005

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 15,111
Accrued payroll liabilities	<u>12,558</u>

Total current liabilities 27,669

NET ASSETS

Without donor restrictions	
Board designated	713,132
Undesignated	243,204
With donor restrictions	<u>20,000</u>

Total net assets 976,336

Total liabilities and net assets \$ 1,004,005

FRIENDS OF CHIMBOTE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CHANGES IN NET ASSETS			
Support and revenue			
General mission contributions	\$ 1,037,993	\$ 20,000	\$ 1,057,993
Designated funds contributions	318,973	-	318,973
Contributions of container goods	260,636	-	260,636
Contributions of investments	14,826	-	14,826
Contributions of rent	24,000	-	24,000
Investment return, net	(118,376)	-	(118,376)
Other income	41	-	41
	<u>1,538,093</u>	<u>20,000</u>	<u>1,558,093</u>
Expenses			
Program services	1,396,259	-	1,396,259
Management and general	99,205	-	99,205
Fundraising	130,263	-	130,263
	<u>1,625,727</u>	<u>-</u>	<u>1,625,727</u>
Change in net assets	<u>(87,634)</u>	<u>20,000</u>	<u>(67,634)</u>
NET ASSETS, Beginning of year	<u>1,043,970</u>	<u>-</u>	<u>1,043,970</u>
NET ASSETS, End of year	<u>\$ 956,336</u>	<u>\$ 20,000</u>	<u>\$ 976,336</u>

FRIENDS OF CHIMBOTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<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	\$ 27,658	\$ -	\$ -	\$ 48,374	\$ 89,507	\$ 165,539
Payroll taxes	2,281	-	-	6,375	16,925	25,581
Grants	-	-	1,054,523	-	-	1,054,523
Goods and supplies - Peru	24,009	260,636	-	-	-	284,645
Fundraising	-	-	-	-	16,855	16,855
General and administrative	-	-	-	7,968	-	7,968
Professional services	-	-	-	8,792	-	8,792
Rent expense	-	15,600	-	20,857	-	36,457
Container shipping expense	-	11,552	-	-	-	11,552
Repair and maintenance	-	-	-	6,379	-	6,379
Travel and entertainment	-	-	-	460	6,976	7,436
Total expenses by function	\$ <u>53,948</u>	\$ <u>287,788</u>	\$ <u>1,054,523</u>	\$ <u>99,205</u>	\$ <u>130,263</u>	\$ <u>1,625,727</u>

FRIENDS OF CHIMBOTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (67,634)
Adjustments to reconcile net change in net assets to net cash provided by operating activities	
Realized/unrealized loss on investments	118,633
Contributions of investments	(17,395)
Changes in assets and liabilities	
Contributions receivable	11,217
Prepaid expenses	(245)
Accounts payable	5,293
Accrued payroll liabilities	<u>665</u>
Net cash provided by operating activities	<u>50,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(26,779)
Proceeds from sale of investments	<u>43,664</u>
Net cash provided by investing activities	<u>16,885</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	67,419
CASH AND CASH EQUIVALENTS, Beginning of year	<u>257,636</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 325,055</u></u>
NONCASH INVESTING AND FINANCING ACTIVITIES	
Contributions of securities	<u><u>\$ 14,826</u></u>

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 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 may exceed the federally insured limits. At December 31, 2022, the Organization’s uninsured cash balance totaled \$89,219.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 restriction 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, 2022, and no allowance for uncollectible amounts was established.

The Organization occasionally holds special events which would include both contributions and exchange transactions. These special events will have contracts with a duration of less than one year, so the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, does not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of any reporting period. There were no special events held in 2022.

The Organization's revenue streams are all considered contributions or donations and fall under FASB ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Investments

Investments are stated at fair value in the statement 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 net of 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 policy. The policy is valued based on the cash surrender value less applicable surrender penalties and outstanding loans. In 2022, the policy has no cash surrender value and has enacted the "no lapse guarantee endorsement" which allows the policy to stay in force until payments are made or the Organization lets the policy lapse.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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 statement of activities and changes in net assets.

Donated securities are recorded at the price per share at the time of donation.

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 reports 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.

Adoption of New Accounting Standards

In September 2020, FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Additional Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires not-for-profits to expand their financial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization has updated disclosures as necessary (Note 9).

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Subsequent Events

Management has evaluated subsequent events through the date of the auditor’s report, which is the date the financial statements were available to be issued.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets as of December 31, 2022:

Assets available for use within one year	
Cash and cash equivalents	\$ 325,055
Contributions receivable	64,247
Investments	<u>589,689</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 978,991</u>

The Organization has financial assets available within one year of the balance sheet date consisting of cash, contributions receivable, and investments. With the exception of the North Dakota Tax Credit Endowment, 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 statement of financial position date.

NOTE 3 – INVESTMENTS

Investments consisted of the following at December 31, 2022:

Money market fund	\$ 62,410
Mutual funds	542,114
Common stock	<u>5,165</u>
	<u>\$ 609,689</u>

Investment return is comprised of the following at December 31, 2022:

Interest and dividends	\$ 11,562
Realized gain	(87)
Change in unrealized appreciation (depreciation)	<u>(129,851)</u>
	<u>\$ (118,376)</u>

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.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

Common Stocks – Valued at the closing price reported on the active market on which the individual securities are traded.

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.

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of December 31, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market fund	\$ 62,410	\$ 62,410	\$ -	\$ -
Mutual funds - equity				
Domestic small-cap equity	84,753	84,753	-	-
Domestic mid-cap equity	88,421	88,421	-	-
Domestic large-cap growth	57,826	57,826	-	-
Real estate	65,979	65,979	-	-
500 Index Fund	245,135	245,135	-	-
Common stock	<u>5,165</u>	<u>5,165</u>	<u>-</u>	<u>-</u>
	<u>\$ 609,689</u>	<u>\$ 609,689</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – DESIGNATED NET ASSETS

The Organization’s Board designated net assets consisted of the following at December 31, 2022:

Education	\$ 18,010
Endowment fund for contingencies	604,524
Mission group expenses	38,402
Social programs	<u>52,196</u>
	<u>\$ 713,132</u>

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 – ENDOWMENT FUNDS

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. Donor restricted endowed funds consist of corpus contributions received toward qualified endowment funds under the North Dakota Century Code, eligible for the North Dakota tax credit.

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.

For contributions to the North Dakota tax credit funds, the Organization has interpreted state law as requiring it preserve the fair value of the original gift 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 the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restricted net assets (in perpetuity) is classified as donor restricted net assets (as to time or purpose) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by state law. In accordance with state law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the various funds,
- (2) the purposes of the donor-restricted endowment funds,
- (3) general economic conditions,
- (4) the possible effects of inflation and deflation,
- (5) the expected total return from income and the appreciation of investments
- (6) other resources of the Organization, and
- (7) the Organization's investment policies.

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.

Donations received for the purpose of the North Dakota State tax credit qualified endowments are with donor restrictions in perpetuity and may not be spent. Any earnings on these funds may be spent and are recorded as without donor restrictions until the board appropriates for expenditure.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. When there are deficient donor-restricted endowment funds, the policy of the Organization is not to distribute any monies until the funds have regained the original corpus. There were no such deficiencies as of December 31, 2022.

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.

Investment Strategies

To satisfy its long-term return objectives, the investment policy specifies that the long-term risk of not investing in growth securities outweighs the short-term volatility risk. The Board targets a diversified asset allocation mix of equity and fixed income securities with minimal investment in cash equivalents, real estate, and alternative investments.

The investment strategy for the North Dakota tax credit fund is to invest in specific allocations to maintain the original corpus.

Changes in endowment net assets are as follows as of December 31, 2022:

	<u>Board Designated</u>	<u>ND State Tax Credit</u>	<u>Total</u>
Endowment net assets, December 31, 2021	\$ 722,690	\$ -	\$ 722,690
Contributions	6,779	20,000	26,779
Investment income (loss)	(118,166)	-	(118,166)
Amounts appropriated for expenditures	<u>(6,779)</u>	<u>-</u>	<u>(6,779)</u>
Endowment net assets, December 31, 2022	<u>\$ 604,524</u>	<u>\$ 20,000</u>	<u>\$ 624,524</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.

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Amounts contributed to ACAF by the Organization were as follows for the year ended December 31, 2022:

Monetary contributions	\$	1,061,952
Contributions of goods		<u>260,636</u>
	\$	<u><u>1,322,588</u></u>

Contributions received by the Organization from the Board members totaled \$130,907 during the year ended December 31, 2022, respectively. Contribution receivables from the Board members totaled \$2,603 for the year ended December 31, 2022, 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 statement of activities and changes of net assets.

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 year ended December 31, 2022, 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 December 2024.

Rental expense totaled \$34,874 for the year ended December 31, 2022.

Minimum future payments required by operating leases are as follows:

2023	\$	1,347
2024		<u>1,353</u>
	\$	<u><u>2,700</u></u>

NOTE 9 – DONATED PROFESSIONAL SERVICES AND EXPENSES

The Organization received the following contributions of nonfinancial assets for the year ended December 31, 2022:

Expenses		
Rent	\$	<u>24,000</u>
Total contributed nonfinancial assets	\$	<u><u>24,000</u></u>

FRIENDS OF CHIMBOTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Rent

Contributed rent is for the use of office space where the Organization is located, as well as warehouse space used to store the shipping container used to ship donations to Peru. In valuing the office and warehouse space, the Organization estimated the fair value based on the rental agreements in place. All donated rent was utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions with the donated rent.

NOTE 10 – SUBSEQUENT EVENTS

The Organization established a non-profit, Apoyo a Los Angeles, in Peru for the purpose of holding assets. In June of 2023, an asset was transferred to Apoyo a Los Angeles.