

The Adelante Foundation, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019



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THE ADELANTE FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Adelante Foundation, Inc.
San Francisco, California

We have audited the accompanying financial statements of The Adelante Foundation, Inc. (Adelante), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Adelante's Honduras operations, which statements reflect total assets of \$1,917,854 and \$2,212,372 as of December 31, 2020 and 2019, respectively, and total revenues of \$765,965 and \$1,104,084 for the years then ended, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in Adelante's Honduras operations, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The Adelante Foundation, Inc. as of December 31, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

January 19, 2022
Denver, Colorado

THE ADELANTE FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 437,525	\$ 399,513
Certificates of deposit	287,733	266,326
Loans receivable, net of allowance for doubtful accounts of \$456,255 and \$276,861, respectively	1,327,713	1,586,670
Accounts receivable and other assets	39,862	46,861
	<u>2,092,833</u>	<u>2,299,370</u>
Property and equipment, at cost:		
Furniture, fixtures, and equipment	114,931	110,203
Vehicles	49,473	48,520
Software	42,588	41,768
	<u>206,992</u>	<u>200,491</u>
Less: accumulated depreciation	<u>(173,479)</u>	<u>(153,779)</u>
Net Property and Equipment	<u>33,513</u>	<u>46,712</u>
TOTAL ASSETS	<u><u>\$ 2,126,346</u></u>	<u><u>\$ 2,346,082</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Guaranteed deposits	\$ 529,718	\$ 596,299
Accounts payable and accrued expenses	45,862	51,521
Note payable	-	3,041
Total Liabilities	<u>575,580</u>	<u>650,861</u>
NET ASSETS		
Without donor restrictions:		
Board designated	211,887	238,520
Undesignated	1,338,879	1,456,701
Total net assets without donor restrictions	<u>1,550,766</u>	<u>1,695,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,126,346</u></u>	<u><u>\$ 2,346,082</u></u>

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

THE ADELANTE FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUE		
Grants, contributions, and events	\$ 147,927	\$ 110,753
Loan interest and fees	745,754	1,064,653
Other operating revenue	<u>20,215</u>	<u>39,474</u>
Total Support and Revenue	<u>913,896</u>	<u>1,214,880</u>
EXPENSES		
Program services	819,144	851,516
General and administrative	221,235	234,262
Fundraising	<u>48,486</u>	<u>63,059</u>
Total Expenses	<u>1,088,865</u>	<u>1,148,837</u>
Change in Net Assets Before Other Item	(174,969)	66,043
OTHER ITEM		
Foreign exchange rate gain (loss)	<u>30,514</u>	<u>(16,450)</u>
CHANGE IN NET ASSETS	(144,455)	49,593
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>1,695,221</u>	<u>1,645,628</u>
End of year	<u><u>\$ 1,550,766</u></u>	<u><u>\$ 1,695,221</u></u>

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

THE ADELANTE FOUNDATION, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	Program Services	General and Administrative	Fundraising	2020
<u>2020</u>				
Salaries and wages	\$ 324,019	\$ 94,067	\$ 38,500	\$ 456,586
Employee benefits and taxes	93,541	24,437	3,100	121,078
Total Employee Expenses	417,560	118,504	41,600	577,664
Bad debt expense	180,174	45,044	-	225,218
Other loan administrative expenses	51,971	13,591	1,763	67,325
Occupancy	39,587	9,897	-	49,484
Office expenses	35,711	9,564	1,876	47,151
Program costs	31,525	7,881	-	39,406
Vehicle cost	26,293	6,573	-	32,866
Professional fees	12,047	3,882	2,567	18,496
Depreciation and amortization	13,557	3,389	-	16,946
Travel	10,670	2,667	-	13,337
Interest expense	49	243	680	972
Total Expenses	<u>\$ 819,144</u>	<u>\$ 221,235</u>	<u>\$ 48,486</u>	<u>\$ 1,088,865</u>
	Program Services	General and Administrative	Fundraising	2019
<u>2019</u>				
Salaries and wages	\$ 322,992	\$ 92,376	\$ 34,272	\$ 449,640
Employee benefits and taxes	110,810	28,584	2,600	141,994
Total Employee Expenses	433,802	120,960	36,872	591,634
Bad debt expense	123,199	30,800	-	153,999
Other loan administrative expenses	63,280	16,658	2,470	82,408
Occupancy	59,280	14,820	-	74,100
Vehicle cost	46,802	11,700	-	58,502
Office expenses	40,015	10,620	1,816	52,451
Travel	34,257	10,672	6,213	51,142
Professional fees	15,262	8,968	15,185	39,415
Program costs	21,543	5,386	-	26,929
Depreciation and amortization	14,043	3,511	-	17,554
Interest expense	33	167	468	668
Advertising and promotion	-	-	35	35
Total Expenses	<u>\$ 851,516</u>	<u>\$ 234,262</u>	<u>\$ 63,059</u>	<u>\$ 1,148,837</u>

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

THE ADELANTE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (144,455)	\$ 49,593
Adjustments to reconcile the change in net assets to net cash flows from operating activities:		
Foreign exchange rate (gain) loss	(30,514)	16,450
Bad debt expense	225,218	153,999
Depreciation and amortization	16,946	17,554
(Gain) on disposal of assets	(22)	(1,007)
Loans (disbursed) to clients	(2,223,386)	(3,321,624)
Loans repaid by clients	2,315,360	3,258,935
(Increase) decrease in accounts receivable and other assets	6,999	(6,746)
(Decrease) increase in accounts payable and accrued expenses	(5,659)	17,080
Guaranteed deposits received	127,958	278,217
Guaranteed deposits (disbursed)	(205,492)	(302,023)
Net Cash Flows From Operating Activities	<u>82,953</u>	<u>160,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of property and equipment	(3,048)	(11,054)
Sale (purchase) of certificates of deposit	<u>(21,407)</u>	<u>2,642</u>
Net Cash Flows From Investing Activities	<u>(24,455)</u>	<u>(8,412)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) of note payable	<u>(3,041)</u>	<u>(6,036)</u>
Net Cash Flows From Financing Activities	<u>(3,041)</u>	<u>(6,036)</u>
Effect of exchange rate changes on cash	<u>(17,445)</u>	<u>(40,477)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	38,012	105,503
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>399,513</u>	<u>294,010</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 437,525</u></u>	<u><u>\$ 399,513</u></u>
SUPPLEMENTAL FINANCIAL INFORMATION		
Interest Paid	<u><u>\$ 972</u></u>	<u><u>\$ 668</u></u>

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

1. Nature of the Organization

The Adelante Foundation, Inc. (Adelante) is a Tennessee nonprofit corporation classified as a 501(c)(3) organization by the United States Internal Revenue Service, which is other than a private foundation. As such, it is exempt from income taxes in the United States, and contributions to it are deductible for income tax purposes as charitable donations.

Adelante was founded in 2000 to provide support for a Microfinance Institution (MFI) established on the northern coast of Honduras. The MFI is registered in Honduras in accordance with Honduran law. Adelante is a Grameen Replicator using a Micro Finance model developed by the Grameen Bank in the mid 1980's. The model provides for the establishment of solidarity groups of three to eight women who receive loans, and although each is responsible for the payment of their own loan, they collectively take responsibility for paying off the entire loan. These groups are also members of an Assembly which is generally composed of thirty people and meets at least monthly to receive training in business, health and other topics as well carry out administrative functions. Adelante focuses on providing loans to those with little or no economic opportunity so that they may achieve economic self-sufficiency.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements include the accounts of both the U.S. and the Honduran operations of Adelante Foundation, Inc. The Honduran operations have been granted permission to operate pursuant to Resolution 158-2003 conferred by the Ministry of Governance and Justice in 2003.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of Adelante, and changes therein, are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor or certain grantor 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 explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled. At December 31, 2020 and 2019, Adelante does not have any net assets with donor restrictions.

2. Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes

In accordance with U.S. Generally Accepted Accounting Principles (GAAP), management is required to make an assessment of uncertain tax positions that they believe would not meet a "more-likely-than-not" standard of being sustained under an income tax audit, and to record a liability for any such taxes including penalty and interest. Management of Adelante has not identified any U.S. uncertain tax positions that would require the recording of a liability as of December 31, 2020 and 2019.

In December 2013, the Honduran government issued a decree which eliminated the permanent tax exempt status granted to organizations such as Adelante. As a result, an annual review of tax exempt status must be performed by the Executive Agency of Revenue. As a result of Resolution No. ISR-E2021000049, issued on April 28, 2021 by the Income Administration Service (SAR), Adelante's Honduran operations are exempt from taxes on income and net assets for 2020 and 2019.

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term investments with original maturity dates of ninety days or less.

Loans Receivable

Loans receivable are reflected at cost, that is, the original loan amount, less payments received. An allowance for doubtful loans has been established based on management's estimates of uncollectible balances. The minimum provision percentages required for each of the qualifying loan categories are based upon criteria established by several organizations in the Micro Finance industry. Adelante's policy for charging-off uncollectible loans is when future receipt is deemed improbable.

Interest income on loans is calculated using the effective interest rate multiplied by the carrying value of the loan.

Property and Equipment

Property and equipment are stated at cost. Betterments which materially add to the value of the related assets and materially extend the useful life of the assets are capitalized. Normal replacements and minor equipment purchases are included as expenses of the operating net assets without donor restrictions.

Depreciation is recorded on the straight-line basis over the following estimated useful lives:

Furniture, fixtures, and equipment	5-10 years
Vehicles	5 years
Software	5 years

2. Summary of Significant Accounting Policies (continued)

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

2. Summary of Significant Accounting Policies (continued)

Retirement Obligation to Honduran Employees

In September 2015, the Honduran Government amended its retirement law such that four percent (4%) of an employee's pay is to be paid to and maintained by an agency specified by the Honduran government for the benefit of each employee. As a result of this amendment, Adelante elected to pay its employees their accrued obligation pursuant to a provision of the amended retirement law that provides for such an election. Simultaneously, Adelante elected to pay each employee their severance pay annually commencing in September 2016, also an election pursuant to the law. Accordingly, Adelante entered into an agreement to pay one-half of the accrued severance pay in February of 2016, and one-half in February 2017, to each employee. Adelante has also elected to pay to each employee the current retirement benefit commencing in September 2016, reduced by the four percent noted above. Payment of the accrued severance costs totaled approximately \$28,000 and \$30,000, for the years ended December 31, 2020 and 2019, respectively. Management estimates that the current annual cost of funding the retirement obligation will be approximately \$50,000. This includes the amount to be paid to the Honduran Government as a result of the law change.

Donated Services and In-Kind Contributions

Financial Accounting Standards Board Statements require that the value of services provided by individuals with specialized skill be recognized in Adelante's financial statements. No amounts have been recognized in the accompanying financial statements for such services.

Other similar costs such as donated travel and out of pocket expenses by volunteers and members of the Board of Directors cannot be reasonably determined and therefore have not been recorded in these financial statements.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Adelante is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly.

The loans receivable and notes payable are at fixed interest rates. The loans receivable mature much faster than the related borrowings. Furthermore, the term of the loans receivable is typically less than one year which allows Adelante to adjust the fixed interest rates of the notes receivable to market conditions.

Market Risk

Market risk is defined as external influences, generally outside of the control of Adelante, but which can be identified, assessed, and mitigated via actions put into place to reduce any adverse impact.

2. Summary of Significant Accounting Policies (continued)

Credit Risk

Credit risk is the risk of financial loss to Adelante if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Adelante's lending activities.

Adelante takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired.

Significant changes in the economy, depreciation of local currencies against the currencies of the indexed portfolios, or in the health of a particular industry segment could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, monitors and manages its exposure to credit risk.

Currency Risk

Adelante is exposed to currency risk through transactions in foreign currencies against the U.S. dollar. There is also a statement of financial position risk that the net monetary liabilities will take a higher value when translated into U.S. dollars as a result of currency movements.

Liquidity Risk

Liquidity risk is the risk that a company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry-up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash and cash equivalents. Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained. Adelante finances the loan portfolio with the income produced by the portfolio and with contributions received. The average loan term is less than 12 months.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.

Subsequent Events

Adelante has performed an evaluation of subsequent events through January 19, 2022, which is the date the financial statements were available to be issued and determined there were no material subsequent events that required recognition or additional disclosure in the financial statements.

3. Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 437,525	\$ 399,513
Certificates of deposit	287,733	266,326
Loans receivable, net	1,327,713	1,586,670
Accounts receivable and other assets	<u>39,862</u>	<u>46,861</u>
Total financial assets	2,092,833	2,299,370
Less:		
Guaranteed deposits	<u>(529,718)</u>	<u>(596,299)</u>
Total financial assets available for general expenditure	<u>\$ 1,563,115</u>	<u>\$ 1,703,071</u>

Adelante does not have a formal liquidity policy. Adelante manages its liquidity position to meet expenditures, liabilities, and other obligations as they fall due and maintains sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

4. Concentration of Credit Risk

Cash and certificates of deposit totaling \$516,766 and \$532,129 at December 31, 2020 and 2019, respectively, are deposited in Honduran financial institutions which are uninsured.

5. Loans Receivable

Loans receivable consists of loans provided to groups of impoverished women in Honduras. In 2020 and 2019, Adelante provided loans to approximately 5,400 and 8,300 women and their families. The loans are initially made for periods of three to twelve months and bear interest at a rate that averages approximately 5% per month. Based on credit evaluations, longer term loans for home improvement or individual loans are made available.

Loans receivable consist of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Current unrestricted loans	\$ 1,783,968	\$ 1,863,531
Less: Allowance for doubtful account	<u>456,255</u>	<u>276,861</u>
Loans receivable, net	<u>\$ 1,327,713</u>	<u>\$ 1,586,670</u>

During the years ended December 31, 2020 and 2019, Adelante recorded a charge of \$225,218 and \$153,999, respectively, of bad debt expense, representing 15.46% and 9.49% of the average outstanding loans in 2020 and 2019, respectively. It also charged \$45,824 and \$47,984, respectively, against the allowance for doubtful accounts for loans written-off.

Activity in the allowance for doubtful accounts consisted of the following:

<u>For the Year Ending December 31,</u>	<u>2020</u>	<u>2019</u>
Balance, at beginning of year	\$ 276,861	\$ 170,846
Provision for loan losses	193,059	114,771
Portfolio impairment loss	32,159	39,228
Amounts applied against the allowance	<u>(45,824)</u>	<u>(47,984)</u>
Balance, end of year	<u>\$ 456,255</u>	<u>\$ 276,861</u>

6. Note Payable

Adelante has the following note payable:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Note payable to Banco Occidente, SA with interest at 11.51%, paid in June 2020	<u>\$ -</u>	<u>\$ 3,041</u>

7. Guaranteed Deposits

Adelante accepts deposits from its borrowers, which must be repaid upon a borrower leaving the program. In accordance with local law, these deposits do not pay interest and are considered partial collateral for the loans. The deposit is set at 10% of the original amount borrowed. If a borrower requires additional loan funds, the borrower may make an additional payment of 10% of the value of the loan in each cycle.

Management has adopted the policy to have dedicated cash accounts of at least 40% of the outstanding guaranteed deposits.

8. Board Designated Net Assets

The Board of Directors implemented a policy to designate specific cash balances for the repayment of the guaranteed deposits described in Note 7. As of December 31, 2020 and 2019, the total board designated net assets were \$211,887 and \$238,520, respectively.

9. Commitments and Contingencies

General

Adelante provides microcredit and education to women in Honduras and, consequently, maintains a significant portion of its assets within Honduras. The future results of its programs could be adversely affected by factors such as currency devaluation or changes in the political climate. As of December 31, 2020 and 2019, approximately 90% and 94%, respectively, of the total assets of Adelante were located in Honduras.

10. Honduran Operations

Adelante's program activities take place in Honduras, where the currency is the lempira. As of December 31, 2020 and 2019, the exchange rate was L24.1141 and L24.6350 to one dollar, respectively. Beginning and ending accumulated translation adjustments are as follows:

<i><u>For the Years Ended December 31,</u></i>	<u>2020</u>	<u>2019</u>
Accumulated translation (loss) - beginning of year	\$ (272,871)	\$ (256,421)
Translation gain (loss)	<u>30,514</u>	<u>(16,450)</u>
Accumulated translation (loss) - end of year	<u><u>\$ (242,357)</u></u>	<u><u>\$ (272,871)</u></u>

11. Risks and Uncertainties

On March 11, 2019, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

Management responded to the pandemic by modifying loan conditions and offering repayment relief to borrowers that needed it. Options provided included loan term extensions, interest rate reductions, interest rate forgiveness, upfront capital reduction payments, repayment moratoriums, and refinancing. Nine months after COVID-19 and the associated economic shutdown, Honduras experienced two hurricanes within two weeks of each other. Massive flooding and landslides impacted several regions of the country.

The consequences of the COVID-19 outbreak and hurricanes have adversely and materially affected the supply and demand of credit. As a result, operating results have been negatively affected for the years ended 2020 and 2021 to date.