

Friends in Action International
Middletown, Pennsylvania

Financial Statements

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Friends in Action International
Middletown, Pennsylvania**

We have audited the accompanying financial statements of Friends in Action International (a not-for-profit organization), 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 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.

Auditors' 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 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 auditors' 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 auditors consider 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 Friends in Action International 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 of America.

Walz Group

**Lancaster, Pennsylvania
August 6, 2021**

Friends in Action International

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 824,780	\$ 329,120
Receivables	27,329	25,310
Prepaid Expenses	<u>77</u>	<u>77</u>
TOTAL CURRENT ASSETS	<u>852,186</u>	<u>354,507</u>
PROPERTY AND EQUIPMENT		
Land	373,847	373,847
Buildings and Improvements	2,669,909	2,669,909
Vehicles	8,476	8,476
Equipment	<u>1,307,852</u>	<u>1,277,297</u>
TOTAL PROPERTY AND EQUIPMENT	4,360,084	4,329,529
Less: Accumulated Depreciation	<u>1,520,917</u>	<u>1,407,499</u>
NET PROPERTY AND EQUIPMENT	<u>2,839,167</u>	<u>2,922,030</u>
OTHER ASSET - Prepaid Lease Expense	<u>100,750</u>	<u>102,458</u>
TOTAL ASSETS	<u><u>\$ 3,792,103</u></u>	<u><u>\$ 3,378,995</u></u>



See independent auditors' report and notes to the financial statements.

<i>LIABILITIES AND NET ASSETS</i>	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 38,170	\$ 29,301
Accrued Wages and Accrued and Withheld Payroll Taxes	46,304	27,658
Accrued Interest	---	5,384
Security Deposit Held	7,684	7,684
Current Portion of Long-Term Debt	<u>63,202</u>	<u>59,553</u>
TOTAL CURRENT LIABILITIES	155,360	129,580
LONG-TERM DEBT	<u>1,117,818</u>	<u>1,189,675</u>
TOTAL LIABILITIES	<u>1,273,178</u>	<u>1,319,255</u>
NET ASSETS		
Without Donor Restrictions	1,844,505	1,753,818
With Donor Restrictions	<u>674,420</u>	<u>305,922</u>
TOTAL NET ASSETS	<u>2,518,925</u>	<u>2,059,740</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,792,103</u></u>	<u><u>\$ 3,378,995</u></u>



Friends in Action International

Statements of Activities

For the Years Ended December 31, 2020 and 2019

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 310,483	\$ 1,076,590	\$ 1,387,073
Donations In-Kind	1,554	---	1,554
Fundraising	11,843	---	11,843
Net Rental Income	51,615	---	51,615
Gain on Sale of Equipment	10,145	---	10,145
Interest Income	539	---	539
Paycheck Protection Program Loan Forgiveness	52,940	---	52,940
Net Assets Released from Restrictions	708,092	(708,092)	---
TOTAL REVENUE AND SUPPORT	<u>1,147,211</u>	<u>368,498</u>	<u>1,515,709</u>
FUNCTIONAL EXPENSES			
Program Services	854,643	---	854,643
Management and General	128,804	---	128,804
Fundraising	73,077	---	73,077
TOTAL FUNCTIONAL EXPENSES	<u>1,056,524</u>	<u>---</u>	<u>1,056,524</u>
CHANGE IN NET ASSETS	90,687	368,498	459,185
NET ASSETS - BEGINNING	<u>1,753,818</u>	<u>305,922</u>	<u>2,059,740</u>
NET ASSETS - ENDING	<u>\$ 1,844,505</u>	<u>\$ 674,420</u>	<u>\$ 2,518,925</u>



See independent auditors' report and notes to the financial statements.

2019

Without Donor Restrictions	With Donor Restrictions	Totals
\$ 192,077	\$ 769,275	\$ 961,352
10,559	---	10,559
13,955	---	13,955
42,509	---	42,509
1,800	---	1,800
2,245	---	2,245
---	---	---
867,486	(867,486)	---
1,130,631	(98,211)	1,032,420
1,002,179	---	1,002,179
108,687	---	108,687
102,508	---	102,508
1,213,374	---	1,213,374
(82,743)	(98,211)	(180,954)
1,836,561	404,133	2,240,694
\$ 1,753,818	\$ 305,922	\$ 2,059,740



Friends in Action International

Statements of Functional Expenses

For the Years Ended December 31, 2020 and 2019

	2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 237,471	\$ 66,679	\$ 32,034	\$ 336,184
Forward Funds	351,631	---	---	351,631
National Workers Support	130	---	---	130
Construction Materials	4,449	---	---	4,449
Field Operating Expenses	527	---	---	527
Supplies	15,601	2,935	2,311	20,847
Travel	18,104	702	337	19,143
Vehicle Expense	912	129	62	1,103
Repairs and Maintenance	34,133	2,753	1,323	38,209
Depreciation	113,179	8,459	4,064	125,702
Lease Expense	1,708	---	---	1,708
Property Taxes	7,165	2,174	1,045	10,384
Utilities	12,767	2,386	1,146	16,299
Insurance	9,161	950	605	10,716
Office Supplies and Expense	7,180	2,179	1,047	10,406
Postage and Shipping	4,333	915	727	5,975
Interest Expense	18,813	5,709	2,743	27,265
Advertising	4,483	1,920	6,277	12,680
Meetings	---	50	---	50
Dues and Training	5,102	5,102	---	10,204
Bank Charges	5,098	758	364	6,220
Professional Fees	2,686	19,335	392	22,413
Taxes	---	5,141	---	5,141
Miscellaneous	10	528	---	538
Donor Development	---	---	18,600	18,600
Total	<u>\$ 854,643</u>	<u>\$ 128,804</u>	<u>\$ 73,077</u>	<u>\$ 1,056,524</u>



See independent auditors' report and notes to the financial statements.

2019

Program Services	Management and General	Fundraising	Total Expenses
\$ 253,482	\$ 54,869	\$ 32,458	\$ 340,809
236,391	---	---	236,391
40,066	---	---	40,066
54,297	---	---	54,297
17,563	---	---	17,563
23,759	2,118	1,252	27,129
105,256	1,150	1,874	108,280
2,725	207	123	3,055
41,248	3,466	2,050	46,764
114,971	6,938	4,104	126,013
1,708	---	---	1,708
6,504	1,670	989	9,163
17,690	2,822	1,670	22,182
8,585	783	602	9,970
9,983	2,662	1,518	14,163
21,292	506	590	22,388
32,257	6,176	3,654	42,087
2,828	581	10,465	13,874
---	357	---	357
1,070	1,070	---	2,140
4,947	466	276	5,689
5,307	17,874	24,495	47,676
---	4,960	---	4,960
250	12	---	262
---	---	16,388	16,388
\$ 1,002,179	\$ 108,687	\$ 102,508	\$ 1,213,374



Friends in Action International

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	\$ 459,185	\$ (180,954)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	155,818	155,634
Gain on Sale of Equipment	(10,145)	(1,800)
Amortization of Loan Origination Fees	2,062	11,272
Paycheck Protection Program Loan Forgiveness	(52,940)	---
Change in Assets and Liabilities:		
Receivables	(2,019)	126
Prepaid Expenses	1,708	1,793
Accounts Payable	8,869	6,361
Other Current Liabilities	13,262	(6,299)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>575,800</u>	<u>(13,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(72,955)	(31,039)
Proceeds from Sale of Equipment	10,145	1,800
NET CASH USED BY INVESTING ACTIVITIES	<u>(62,810)</u>	<u>(29,239)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Origination Fees Incurred	(13,644)	---
Proceeds from Paycheck Protection Program Loan	52,940	---
Proceeds from Long-Term Debt	1,230,000	---
Principal Payments on Long-Term Debt	(1,286,626)	(61,187)
NET CASH USED BY FINANCING ACTIVITIES	<u>(17,330)</u>	<u>(61,187)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	495,660	(104,293)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>329,120</u>	<u>433,413</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 824,780</u>	<u>\$ 329,120</u>

See independent auditors' report and notes to the financial statements.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Friends in Action International (the Organization) is a not-for-profit organization whose purpose is to accelerate the work of proclaiming the Gospel to people groups around the world that have not had the opportunity to hear the Good News of Jesus Christ. This is accomplished primarily through missions work in areas of limited infrastructure by using construction projects to speed the Gospel to those who have never heard.

In 2020 and 2019, the Organization's focus was in six remote areas of West Africa, Bolivia, Moldova, Nicaragua, Papua New Guinea, and Vanuatu. The Organization's volunteers have built medical clinics, bridges, schools, homes, and airstrips in remote locations, and drilled wells and infrastructure supporting clean water to drink. The Organization ships containers of supplies and provides equipment like vehicles and generators to project sites. The Organization also provides vocational training for mechanics, welding, wood-working, construction, and other skills that will help support local families as well as ongoing project needs.

Accounting Method

The financial statements are prepared on the accrual basis of accounting. Donations are recorded and recognized when pledged. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The majority of the Organization's revenue is derived from contributions, rental income and the sale of property and equipment which are excluded from the scope of this standard. The only revenue stream of the Organization to which this standard applies is the Fundraising line item on the Statements of Activities.

The Organization adopted the new standard effective January 1, 2020, the first day of the Organization's fiscal year, using the modified retrospective approach. As part of the adoption of the ASU, the Organization elected the following transition practical expedients:

1. To reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating transaction price.
2. To apply the standard only to contracts that were not completed at the initial date of application.

Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

After evaluating the impact of the new ASU at the initial date of application, the Organization determined that the new ASU was immaterial and no adjustment to net assets was necessary.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

As further described above, during 2020 the Organization adopted the provisions of ASC Topic 606. The only revenue stream of the Organization to which this applies is the Fundraising line item on the Statement of Activities. Revenues from this revenue stream are recognized when control of the goods and services are transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the goods and services. The Organization does not have any financing components from this revenue stream as payment is received prior to or shortly after the transfer of control. There is no variable consideration or multiple performance obligations related to this revenue stream. This revenue is recognized at a point in time.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

The Organization allocates 10% of contributions made with donor restrictions to administrative costs (contributions without donor restrictions), which is noted on all solicitation requests.

Net Assets

Net assets are recorded according to the existence of donor restrictions and are classified and reported as follows:

Net Assets without donor restrictions - net assets that are not subject to donor-imposed stipulations.

Net Assets with donor restrictions - net assets that are subject to donor-imposed stipulations that may or will be met, whether by the Organization's actions or the passage of time.

Donated Assets and Services

The Organization receives a significant amount of donated services from unpaid volunteers. However, no amounts were recognized in these financial statements because the services do not meet the criteria for recognition.

Any non-cash donations of property, equipment, and materials are recorded as contributions at their estimated fair values at the date of donation. Such donations are recorded as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

Receivables

The Organization carries receivables at the outstanding principal balance reduced by any charge-offs and any allowance for doubtful accounts. The Organization periodically reviews the receivables and charges off balances that are deemed uncollectible. The allowance is calculated based on management's evaluation of outstanding receivables at the end of the year. Management has determined that an allowance for doubtful accounts is not necessary for the years ended December 31, 2020 and 2019.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization's policy is to capitalize property and equipment with a cost over \$500. Expenditures for major improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs or for property and equipment with a cost under \$500 are charged to expense as incurred.

Property and equipment are carried at cost, except for donated equipment which is recorded at fair value on the date of donation. Equipment and vehicles purchased and donated to missions with all rights and title of ownership is shown as an expense in the year of purchase and transfer. Equipment and vehicles whose title is retained but are used in overseas projects are reflected as fixed assets and depreciated over their useful lives. Depreciation of property and equipment is determined using the straight-line method at rates based on the following estimated useful lives:

<i>Buildings and Improvements</i>	<i>15 - 45 years</i>
<i>Vehicles</i>	<i>5 years</i>
<i>Equipment</i>	<i>5 - 20 years</i>

Depreciation expense charged to operations amounted to \$155,818 and \$155,634 for the years ended December 31, 2020 and 2019.

Loan Origination Fees

The Organization has incurred loan origination fees totaling \$13,644 and \$18,276 as of December 31, 2020 and 2019. As further described in Note G, the Organization's loan was refinanced in May 2020. As a result, the remaining unamortized loan origination fees at December 31, 2019 of \$1,523 were written off during 2020. The cost of the loan fees incurred in 2020 of \$13,644 is being amortized over a period of 15 years. The amortization of the loan origination fees amounted to \$2,062 and \$11,272 during the years ended December 31, 2020 and 2019, respectively, and is included in interest expense.

Income Taxes

The Organization is a non-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and as such is subject to income taxes only to the extent of unrelated business income.

Cash Flow Information

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Cash paid for interest totaled \$57,854 and \$64,941 for the years ended December 31, 2020 and 2019, respectively. Cash paid for taxes on unrelated business income totaled \$5,141 and \$4,960 for the years ended December 31, 2020 and 2019, respectively.

Advertising

Advertising costs are charged to operations in the year incurred and totaled \$12,680 and \$13,874 for the years ended December 31, 2020 and 2019, respectively.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

NOTE B - SUMMARY OF SIGNIFICANT ESTIMATES

Functional Expenses

The financial statements report certain categories of expenses that are attributable to operating and rental activities or supporting functions of the Organization. These expenses include bank charges, depreciation, insurance, interest, occupancy, postage and shipping, professional fees, property taxes, repairs and maintenance, staff support, supplies, travel, and vehicle expense. Depreciation and interest are allocated based on square footage and estimates of staff usage based on time. Costs of other categories were allocated by estimates of staff time and compensation earned.

NOTE C - SUMMARY OF SIGNIFICANT RISKS AND UNCERTAINTIES

Concentrations of Credit Risk

The Organization may maintain certain bank accounts in excess of the FDIC insured limited at various times throughout the year. As of December 31, 2020 and 2019, the Organization's uninsured cash balance was \$498,527 and \$-0-, respectively.

Overseas Property and Equipment

The Organization maintains a significant portion of their property and equipment overseas (See Note E for additional information). The net book value of such assets was \$390,989 and \$399,790 as of December 31, 2020 and 2019, respectively. Included in overseas equipment is a piece of well-drilling equipment with a net book value of approximately \$37,500 and \$45,000 as of December 31, 2020 and 2019, respectively, that is held for sale by the Organization. Due to the increased potential for instability in these overseas locations as a result of social, economic, or political unrest, there is an enhanced risk of loss related to these assets.

Global Pandemic

In December 2019, the Coronavirus Disease 2019 (COVID-19) was reported in China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of the COVID-19 outbreak in the United States, there has been significant business disruption due to business closures, shelter in place orders and other government mandated restrictions which have negatively impacted the United States and global economy.

As a result of the outbreak of COVID-19 and its impact on the broader economy and business community, between March and May 2020 the Organization was adversely affected through disruption or restrictions on the Organization's employees' and volunteers' ability to work as well as the temporary closure of the Organization's office and requirement for foreign missionaries to shelter in place. Since May 2020, the Organization has not had significant adverse effects as a result of the pandemic except that certain foreign missionaries were required to continue to shelter in place for a portion or all of the year. Given the significant uncertainties surrounding these events it is difficult to assess the future effects of the pandemic on the Organization, however management does not expect any significant adverse effects in the near term.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE D - RECEIVABLES

Receivables consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<i>Shipping Ministry</i>	\$ 5,428	\$ 8,302
<i>Staff</i>	623	204
<i>General</i>	3,097	144
<i>Postage</i>	111	156
<i>Contributions</i>	<u>18,070</u>	<u>16,504</u>
Total Receivables	<u>\$ 27,329</u>	<u>\$ 25,310</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 and 2019 is as follows:

Property and Equipment located in the United States:	<u>2020</u>	<u>2019</u>
<i>Land</i>	\$ 319,965	\$ 319,965
<i>Buildings and Improvements</i>	2,448,941	2,448,941
<i>Vehicles</i>	8,476	8,476
<i>Equipment</i>	<u>188,813</u>	<u>187,313</u>
Total United States Property and Equipment	<u>2,966,195</u>	<u>2,964,695</u>
Property and Equipment located overseas:		
<i>Land</i>	53,882	53,882
<i>Improvements</i>	220,968	220,968
<i>Equipment</i>	<u>1,119,039</u>	<u>1,089,984</u>
Total Overseas Property and Equipment	<u>1,393,889</u>	<u>1,364,834</u>
Total Property and Equipment	4,360,084	4,329,529
<i>Less: Accumulated Depreciation</i>	<u>1,520,917</u>	<u>1,407,499</u>
Net Property and Equipment	<u>\$ 2,839,167</u>	<u>\$ 2,922,030</u>

NOTE F - PREPAID LEASE EXPENSE

Prepaid lease expense represents amounts paid for the lease of land in Santo, Vanuatu. The lease is being amortized straight line over its life of 65 years, and the related rent expense was \$1,708 for both of the years ended December 31, 2020 and 2019.

NOTE G - LONG-TERM DEBT

The Organization has a mortgage outstanding to a bank related to administrative and warehouse facilities constructed in Middletown, Pennsylvania. The original note was in the amount of \$1,500,000. The loan is payable in 60 monthly installments of \$9,961, including interest at 5%, with one final payment of outstanding principal and interest due on June 12, 2020. The loan is secured by the property and any lease rental revenue.

In May 2020, this loan was refinanced with a different bank. The refinanced loan has an initial principal balance of \$1,230,000 with monthly payments of principal and interest totaling \$9,103. The loan matures in May 2035. Interest is charged at a rate of 3.95% for the first five years of the loan, after which the interest rate will be variable based on the bank's prime rate. This loan is also secured by the property and any lease rental revenue.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE G - LONG-TERM DEBT (Continued)

The cost and net book value of the property securing the loan were \$2,279,656 and \$2,008,876, respectively, as of December 31, 2020 and \$2,279,656 and \$2,067,955, respectively, as of December 31, 2019, and are included under the caption of Buildings and Improvements on the Statements of Financial Position.

Following is a summary of the outstanding balances as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<i>Mortgage Construction Note</i>	\$ ---	\$ 1,250,751
<i>Refinanced Building Loan</i>	1,194,125	---
<i>Less: Loan Origination Fees, Net</i>	<u>13,105</u>	<u>1,523</u>
Total Long-Term Debt	1,181,020	1,249,228
<i>Less: Current Portion Long-Term Debt</i>	<u>63,202</u>	<u>59,553</u>
Long-Term Debt	<u>\$ 1,117,818</u>	<u>\$ 1,189,675</u>

The following table summarizes the maturity of long-term debt as of December 31, 2020:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021.....	\$ 63,202
2022.....	65,744
2023.....	68,389
2024.....	71,139
2025.....	74,001
Thereafter.....	<u>851,650</u>
	<u>\$ 1,194,125</u>

NOTE H - NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM LOAN

As a result of the global pandemic that has negatively impacted the Organization as further described in Note C, on April 27, 2020, the Organization obtained a loan totaling \$52,940 through the Paycheck Protection Program (PPP) to help cover payroll expenses. The loan is unsecured, bears interest at a rate of 1%, and has a two-year term. The loan is guaranteed by the Small Business Administration (SBA). The loan is eligible for full or partial forgiveness if certain criteria are met, as further described below.

The PPP loan and accrued interest are eligible for full or partial forgiveness if the Organization incurs sufficient payroll expenses during the covered period and meets certain other criteria. The Organization's covered period started on April 27, 2020 and ended on October 12, 2020. In order to obtain forgiveness, the Organization must submit a loan forgiveness application to the bank who will review the application and then submit it to the SBA. The SBA will review the application and determine what, if any, portion of the loan and accrued interest is to be forgiven. The Organization previously submitted their forgiveness application to the bank who reviewed the application and submitted it to the SBA. The Organization was notified by the SBA on April 21, 2021 that the loan had been forgiven in full and that payment had been remitted to the bank.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE H - NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM LOAN (Continued)

The Organization is accounting for the loan as analogous to a government grant under FASB ASC 958-605 and considers the loan to represent a conditional contribution. Based on the applicable expenses incurred by the covered period end date, and that the loan has been fully forgiven by the report date, the Organization has reduced the outstanding principal balance and accrued interest on the loan to \$-0- as of the Statement of Financial Position date and recognized revenue of \$52,940 for the forgiveness amount.

NOTE I - NET ASSETS

The Organization's net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
<i>Undesignated</i>	\$ 189,463	\$ 82,539
<i>Board Designated for Contingency Fund</i>	10,000	---
<i>Represented by Net Property and Equipment Less Related Long-Term Debt</i>	<u>1,645,042</u>	<u>1,671,279</u>
Total Net Assets Without Donor Restrictions	\$ <u>1,844,505</u>	\$ <u>1,753,818</u>

With Donor Restrictions

At December 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
<i>Staff Support</i>	\$ 227,223	\$ 77,915
<i>Grant Writing</i>	302	312
<i>Medical Kits</i>	3,002	2,703
<i>Short-Term Missions</i>	7,709	---
<i>Youth Fund</i>	9,925	---
<i>Bolivia</i>	23,988	7,964
<i>Moldova</i>	1,669	23,994
<i>Nicaragua</i>	32,840	24,499
<i>Papua New Guinea</i>	7,564	2,870
<i>Vanuatu</i>	207,309	16,519
<i>West Africa Well Drilling</i>	<u>152,889</u>	<u>149,146</u>
Total Net Assets with Donor Restrictions	\$ <u>674,420</u>	\$ <u>305,922</u>



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE I - NET ASSETS (Continued)

For the years ended December 31, 2020 and 2019, net assets were released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2020</u>	<u>2019</u>
<i>Staff Support</i>	\$ 306,058	\$ 340,249
<i>Grant Writing</i>	10	23,688
<i>Medical Kits</i>	1,346	2,113
<i>Shipping and Handling</i>	500	2,125
<i>Short-Term Missions</i>	---	262
<i>Youth Fund</i>	1,075	---
<i>USA Headquarters Projects</i>	1,760	9,520
<i>Bolivia</i>	67,953	30,209
<i>India</i>	---	15,565
<i>Moldova</i>	58,473	33,499
<i>Nicaragua</i>	83,134	201,727
<i>Papua New Guinea</i>	224	11,315
<i>Vanuatu</i>	126,971	97,039
<i>West Africa Well Drilling</i>	<u>60,588</u>	<u>100,175</u>
Total Net Assets Released from Donor Restrictions	\$ <u>708,092</u>	\$ <u>867,486</u>

NOTE J - OPERATING LEASE

In June 2016, the Organization began leasing 50% of its Middletown office and warehouse facility to a third party for \$6,500 per month under a long-term lease agreement initially due to expire in May 2036. Under the terms of the lease, the tenant has the right to elect early termination at any time upon 90-days written notice. In February 2019, the tenant elected to terminate the lease agreement and vacate the building in May 2019. The lease agreement included an early termination fee of twelve times the monthly rent amount. The termination fee of \$78,000 was paid in May 2019.

In November 2019, the Organization began leasing 50% of its Middletown office and warehouse facility to a new third party for \$7,684 per month under a long-term lease agreement due to expire in October 2023. The lease term will automatically extend for an additional four years unless either party provides notice at least 90 days prior to the lease term of their intent to cancel the lease agreement. The tenant is also responsible for common area maintenance charges totaling \$2,261 per month. The lessee also paid a security deposit in the amount of \$7,684. Under the terms of the lease, the tenant has the right to elect early termination at any time upon 90-days written notice.

Net rental income for the years ended December 31, 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
<i>Rental Income</i>	\$ 120,230	\$ 133,591
<i>Less:</i>		
<i>Commission</i>	---	17,586
<i>Property Taxes and Insurance</i>	11,234	10,014
<i>Depreciation</i>	30,116	29,621
<i>Interest Expense</i>	<u>27,265</u>	<u>33,861</u>
Net Rental Income	\$ <u>51,615</u>	\$ <u>42,509</u>



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE K - RELATED PARTY TRANSACTIONS

The Organization is related to Friends in Action International - Canada (FIAIC) and Friends in Action - UK (FIAUK), which are separate legal entities chartered under the rules of Canada and the United Kingdom, respectively. The Organizations provide financial support to each other for various mission projects run separately by each entity.

During the years ended December 31, 2020 and 2019, the Organization provided \$41,988 and \$39,661, respectively, in support to various missions projects administered by FIAIC. The Organization did not provide any support to FIAUK during either of the years ended December 31, 2020 or 2019.

During the year ended December 31, 2020, the Organization received support totaling \$35,795 and \$3,174 from FIAIC and FIAUK, respectively. Additionally, during the year ended December 31, 2019, the Organization received support totaling \$27,734 and \$4,701 from FIAIC and FIAUK, respectively.

NOTE L - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is primarily funded by contributions from donors throughout the fiscal year. Contributions may contain donor restrictions. Those restrictions require that resources be used in a certain manner or in a future period. The Organization must maintain adequate resources to meet those responsibilities to its donors. Therefore, certain financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The chart below reflects the Organization's financial assets as of the years ended December 31, 2020 and 2019, reduced by amounts that are not available for general use due to donor-imposed restrictions or board designations within one year of the Statement of Financial Position date.

	<u>2020</u>	<u>2019</u>
<i>Financial assets, at year-end</i> *.....	\$ 852,109	\$ 354,430
<i>Less those unavailable for general expenditures within one year, due to donor-imposed restrictions:</i>		
<i>Restricted by donor with time or purpose restrictions</i>	(674,420)	(305,922)
<i>Board designations:</i>		
<i>Amounts set aside for contingency fund</i>	(10,000)	---
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>167,689</u>	\$ <u>48,508</u>

* Total assets, less nonfinancial assets (e.g., prepaid expenses and property and equipment).

NOTE M - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

Management has determined that the Organization does not have any unrecognized tax benefits as of December 31, 2020 and 2019.

Federal and state tax returns are generally open and subject to the respective tax authority's examination for the current period and the previous three years.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2020 and 2019

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 6, 2021, the date the financial statements were issued. Except as set forth below, there were no material subsequent events that require recognition or additional disclosure in these financial statements.

As further described in Note H, on April 21, 2021 the Organization was notified by the SBA that their PPP loan had been forgiven in full.

