

Friends in Action International
Middletown, Pennsylvania

Financial Statements

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Friends in Action International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends in Action International and to meet our other ethical responsibilities in accordance with the relevant ethical requirement relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatement, 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 in Action International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 in Action International'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 in Action International'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.

Walz Group

**Lancaster, Pennsylvania
September 6, 2022**

Friends in Action International

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,439,097	\$ 824,780
Receivables	38,617	27,329
Prepaid Expenses	21	77
TOTAL CURRENT ASSETS	<u>1,477,735</u>	<u>852,186</u>
PROPERTY AND EQUIPMENT		
Land	373,847	373,847
Buildings and Improvements	2,688,006	2,669,909
Vehicles	10,277	8,476
Equipment	1,343,461	1,307,852
Construction in Progress	14,859	---
TOTAL PROPERTY AND EQUIPMENT	4,430,450	4,360,084
Less: Accumulated Depreciation	<u>1,668,763</u>	<u>1,520,917</u>
NET PROPERTY AND EQUIPMENT	<u>2,761,687</u>	<u>2,839,167</u>
OTHER ASSET - Prepaid Lease Expense	<u>99,042</u>	<u>100,750</u>
TOTAL ASSETS	<u>\$ 4,338,464</u>	<u>\$ 3,792,103</u>



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

	<u>2021</u>	<u>2020</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES		
Accounts Payable	\$ 11,403	\$ 38,170
Accrued Wages and Accrued and Withheld Payroll Taxes	62,091	46,304
Security Deposit Held	7,684	7,684
Current Portion of Long-Term Debt	<u>65,744</u>	<u>63,202</u>
TOTAL CURRENT LIABILITIES	146,922	155,360
LONG-TERM DEBT	<u>1,043,273</u>	<u>1,117,818</u>
TOTAL LIABILITIES	<u>1,190,195</u>	<u>1,273,178</u>
NET ASSETS		
Without Donor Restrictions	1,922,659	1,844,505
With Donor Restrictions	<u>1,225,610</u>	<u>674,420</u>
TOTAL NET ASSETS	<u>3,148,269</u>	<u>2,518,925</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,338,464</u>	<u>\$ 3,792,103</u>



Friends in Action International

Statements of Activities

For the Years Ended December 31, 2021 and 2020

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 314,466	\$ 1,620,628	\$ 1,935,094
Donations In-Kind	4,268	---	4,268
Fundraising	15,635	---	15,635
Net Rental Income	54,174	---	54,174
Gain on Sale of Equipment	---	---	---
Interest Income	49	---	49
Paycheck Protection Program Loan Forgiveness	---	---	---
Net Assets Released from Restrictions	<u>1,069,438</u>	<u>(1,069,438)</u>	<u>---</u>
TOTAL REVENUE AND SUPPORT	<u>1,458,030</u>	<u>551,190</u>	<u>2,009,220</u>
FUNCTIONAL EXPENSES			
Program Services	1,172,063	---	1,172,063
Management and General	133,921	---	133,921
Fundraising	<u>73,892</u>	<u>---</u>	<u>73,892</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,379,876</u>	<u>---</u>	<u>1,379,876</u>
CHANGE IN NET ASSETS	78,154	551,190	629,344
NET ASSETS - BEGINNING	<u>1,844,505</u>	<u>674,420</u>	<u>2,518,925</u>
NET ASSETS - ENDING	<u>\$ 1,922,659</u>	<u>\$ 1,225,610</u>	<u>\$ 3,148,269</u>



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

2020

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
\$ 310,483	\$ 1,076,590	\$ 1,387,073
1,554	---	1,554
11,843	---	11,843
51,615	---	51,615
10,145	---	10,145
539	---	539
52,940	---	52,940
708,092	(708,092)	---
<u>1,147,211</u>	<u>368,498</u>	<u>1,515,709</u>
854,643	---	854,643
128,804	---	128,804
73,077	---	73,077
<u>1,056,524</u>	<u>---</u>	<u>1,056,524</u>
90,687	368,498	459,185
<u>1,753,818</u>	<u>305,922</u>	<u>2,059,740</u>
<u>\$ 1,844,505</u>	<u>\$ 674,420</u>	<u>\$ 2,518,925</u>



Friends in Action International

Statements of Functional Expenses

For the Years Ended December 31, 2021 and 2020

	2021			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 516,059	\$ 79,744	\$ 37,087	\$ 632,890
Forward Funds	320,077	---	---	320,077
National Workers Support	---	---	---	---
Construction Materials	17,215	---	---	17,215
Field Operating Expenses	---	---	---	---
Supplies	34,460	264	149	34,873
Travel	19,412	231	107	19,750
Vehicle Expense	1,050	87	41	1,178
Repairs and Maintenance	36,184	2,466	1,147	39,797
Depreciation	109,654	5,424	2,523	117,601
Lease Expense	1,708	---	---	1,708
Property Taxes	8,467	1,308	609	10,384
Utilities	15,216	1,377	769	17,362
Insurance	9,892	580	425	10,897
Office Supplies and Expense	8,936	1,322	615	10,873
Postage and Shipping	16,675	639	298	17,612
Interest Expense	19,258	2,976	1,384	23,618
Advertising	13,146	4,530	9,479	27,155
Meetings	23	---	---	23
Dues and Training	14,019	2,166	1,008	17,193
Bank Charges	4,939	488	227	5,654
Professional Fees	5,637	22,535	405	28,577
Taxes	---	7,784	---	7,784
Miscellaneous	36	---	---	36
Donor Development	---	---	17,619	17,619
Total	\$ 1,172,063	\$ 133,921	\$ 73,892	\$ 1,379,876



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

2020

Program Services	Management and General	Fundraising	Total Expenses
\$ 237,471	\$ 66,679	\$ 32,034	\$ 336,184
351,631	---	---	351,631
130	---	---	130
4,449	---	---	4,449
527	---	---	527
15,601	2,935	2,311	20,847
18,104	702	337	19,143
912	129	62	1,103
34,133	2,753	1,323	38,209
113,179	8,459	4,064	125,702
1,708	---	---	1,708
7,165	2,174	1,045	10,384
12,767	2,386	1,146	16,299
9,161	950	605	10,716
7,180	2,179	1,047	10,406
4,333	915	727	5,975
18,813	5,709	2,743	27,265
4,483	1,920	6,277	12,680
---	50	---	50
5,102	5,102	---	10,204
5,098	758	364	6,220
2,686	19,335	392	22,413
---	5,141	---	5,141
10	528	---	538
---	---	18,600	18,600
\$ 854,643	\$ 128,804	\$ 73,077	\$ 1,056,524



Friends in Action International

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 629,344	\$ 459,185
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	147,846	155,818
Gain on Sale of Equipment	---	(10,145)
Amortization of Loan Origination Fees	909	2,062
Paycheck Protection Program Loan Forgiveness	---	(52,940)
Change in Assets and Liabilities:		
Receivables	(11,288)	(2,019)
Prepaid Expenses	1,764	1,708
Accounts Payable	(26,767)	8,869
Other Current Liabilities	15,787	13,262
	<u>757,595</u>	<u>575,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(70,366)	(72,955)
Proceeds from Sale of Equipment	---	10,145
	<u>(70,366)</u>	<u>(62,810)</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	(72,912)	(1,286,626)
	<u>(72,912)</u>	<u>(17,330)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	614,317	495,660
CASH AND CASH EQUIVALENTS - BEGINNING	<u>824,780</u>	<u>329,120</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,439,097</u>	<u>\$ 824,780</u>

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



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

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 spread the Gospel to those who have never heard.

In 2021 and 2020, 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, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues from fundraising activities 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, 2021 and 2020.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

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 \$147,845 and \$155,818 for the years ended December 31, 2021 and 2020.

Loan Origination Fees

The Organization has incurred loan origination fees totaling \$13,644 as of December 31, 2021 and 2020. 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 \$909 and \$2,062 during the years ended December 31, 2021 and 2020, 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 \$46,327 and \$57,854 for the years ended December 31, 2021 and 2020, respectively. Cash paid for taxes on unrelated business income totaled \$7,784 and \$5,141 for the years ended December 31, 2021 and 2020, respectively.

Advertising

Advertising costs are charged to operations in the year incurred and totaled \$27,155 and \$12,680 for the years ended December 31, 2021 and 2020, respectively.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

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. For the years ended December 31, 2021 and 2020, the Organization's uninsured cash balance was \$1,117,641 and \$498,527, 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 \$332,755 and \$390,989 as of December 31, 2021 and 2020, respectively. Included in overseas equipment is a piece of well-drilling equipment with a net book value of approximately \$32,800 and \$37,500 as of December 31, 2021 and 2020, 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, 2021 and 2020

NOTE C - SUMMARY OF SIGNIFICANT RISKS AND UNCERTAINTIES (Continued)

Concentration of Contributors

Approximately 11.4% and 0.7% of the Organization's contributions was provided by one donor for the years ended December 31, 2021 and 2020, respectively.

NOTE D - RECEIVABLES

Beginning and end of the year receivables consisted of the following as of December 31, 2021, and 2020, and 2019:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<i>Shipping Ministry</i>	\$ 18,972	\$ 5,428	\$ 8,302
<i>Staff</i>	470	623	204
<i>General</i>	592	3,097	144
<i>Postage</i>	105	111	156
<i>Contributions</i>	<u>18,478</u>	<u>18,070</u>	<u>16,504</u>
Total Receivables	\$ <u>38,617</u>	\$ <u>27,329</u>	\$ <u>25,310</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020 is as follows:

Property and Equipment located in the United States:	<u>2021</u>	<u>2020</u>
<i>Land</i>	\$ 319,965	\$ 319,965
<i>Buildings and Improvements</i>	2,467,038	2,448,941
<i>Vehicles</i>	10,277	8,476
<i>Equipment</i>	213,306	188,813
<i>Construction in Progress</i>	<u>14,859</u>	<u>---</u>
Total United States Property and Equipment	<u>3,025,445</u>	<u>2,966,195</u>
Property and Equipment located overseas:		
<i>Land</i>	53,882	53,882
<i>Improvements</i>	220,968	220,968
<i>Equipment</i>	<u>1,130,155</u>	<u>1,119,039</u>
Total Overseas Property and Equipment	<u>1,405,005</u>	<u>1,393,889</u>
Total Property and Equipment	4,430,450	4,360,084
<i>Less: Accumulated Depreciation</i>	<u>1,668,763</u>	<u>1,520,917</u>
Net Property and Equipment	\$ <u>2,761,687</u>	\$ <u>2,839,167</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, 2021 and 2020.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

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 was 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.

The cost and net book value of the property securing the loan were \$2,279,656 and \$1,949,797, respectively, as of December 31, 2021 and \$2,279,656 and \$2,008,876, respectively, as of December 31, 2020, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<i>Refinanced Building Loan</i>	\$ 1,121,213	\$ 1,194,125
<i>Less: Loan Origination Fees, Net</i>	<u>12,196</u>	<u>13,105</u>
Total Long-Term Debt	1,109,017	1,181,020
<i>Less: Current Portion Long-Term Debt</i>	<u>65,744</u>	<u>63,202</u>
Long-Term Debt	\$ <u>1,043,273</u>	\$ <u>1,117,818</u>

The following table summarizes the maturity of long-term debt as of December 31, 2021:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022.....	\$ 65,744
2023.....	68,389
2024.....	71,139
2025.....	74,001
2026.....	76,977
Thereafter.....	<u>764,963</u>
	\$ <u>1,121,213</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 was unsecured, bore interest at a rate of 1%, and had a two-year term. The loan is guaranteed by the Small Business Administration (SBA). The loan was eligible for full or partial forgiveness if certain criteria were met, as further described below.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

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

The PPP loan and accrued interest were eligible for full or partial forgiveness if the Organization incurred sufficient payroll expenses during the covered period and met 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 submitted a loan forgiveness application to the bank. The SBA reviewed the application and determined what, if any, portion of the loan and accrued interest was to be forgiven. The Organization submitted their forgiveness application to the bank, and 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.

The Organization has accounted 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 full loan forgiveness by the report date of the 2020 financial statements, the Organization has reduced the outstanding principal balance and accrued interest on the loan to \$-0- as of the 2020 Statement of Financial Position date and recognized revenue of \$52,940 for the forgiveness amount in 2020.

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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
<i>Undesignated</i>	\$ 267,185	\$ 189,463
<i>Board Designated for Contingency Fund</i>	15,000	10,000
<i>Represented by Net Property and Equipment Less Related Long-Term Debt</i>	<u>1,640,474</u>	<u>1,645,042</u>
Total Net Assets Without Donor Restrictions	\$ <u>1,922,659</u>	\$ <u>1,844,505</u>

With Donor Restrictions

At December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
<i>Staff Support</i>	\$ 316,611	\$ 227,223
<i>Grant Writing</i>	---	302
<i>Medical Kits</i>	1,087	3,002
<i>Short-Term Missions</i>	16,707	7,709
<i>Youth Fund</i>	---	9,925
<i>Bolivia</i>	46,183	23,988
<i>Moldova</i>	27,814	1,669
<i>Nicaragua</i>	87,097	32,840
<i>Papua New Guinea</i>	40,400	7,564
<i>Peru</i>	3,350	---
<i>Vanuatu</i>	445,658	207,309
<i>West Africa Well Drilling</i>	<u>240,703</u>	<u>152,889</u>
Total Net Assets with Donor Restrictions	\$ <u>1,225,610</u>	\$ <u>674,420</u>



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

NOTE I - NET ASSETS (Continued)

With Donor Restrictions (Continued)

For the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
<i>Staff Support</i>	\$ 575,081	\$ 306,058
<i>Administrative Support</i>	27,000	---
<i>Grant Writing</i>	302	10
<i>Medical Kits</i>	2,620	1,346
<i>Shipping and Handling</i>	---	500
<i>Youth Fund</i>	9,925	1,075
<i>USA Headquarters Projects</i>	1,800	1,760
<i>Bolivia</i>	79,440	67,953
<i>Moldova</i>	23,117	58,473
<i>Nicaragua</i>	79,434	83,134
<i>Papua New Guinea</i>	22,538	224
<i>Vanuatu</i>	76,295	126,971
<i>West Africa Well Drilling</i>	<u>171,886</u>	<u>60,588</u>
Total Net Assets Released from Donor Restrictions	\$ <u>1,069,438</u>	\$ <u>708,092</u>

NOTE J - OPERATING LEASE

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, 2021 and 2020 is comprised of the following:

	<u>2021</u>	<u>2020</u>
<i>Rental Income</i>	\$ 119,345	\$ 120,230
<i>Less:</i>		
<i>Commission</i>	---	---
<i>Property Taxes and Insurance</i>	11,309	11,234
<i>Depreciation</i>	30,244	30,116
<i>Interest Expense</i>	<u>23,618</u>	<u>27,265</u>
Net Rental Income	\$ <u>54,174</u>	\$ <u>51,615</u>



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

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, 2021 and 2020, the Organization provided \$23,635 and \$41,988, respectively, in support to various missions projects administered by FIAIC. The Organization did not provide any support to FIA UK during either of the years ended December 31, 2021 or 2020.

During the year ended December 31, 2021, the Organization received support totaling \$27,824 and \$-0- from FIAIC and FIAUK, respectively. Additionally, during the year ended December 31, 2020, the Organization received support totaling \$35,795 and \$3,174 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, 2021 and 2020, 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>2021</u>	<u>2020</u>
<i>Financial assets, at year-end</i> *.....	\$ 1,482,714	\$ 852,109
<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>	(1,225,610)	(674,420)
<i>Board designations:</i>		
<i>Amounts set aside for contingency fund</i>	<u>(15,000)</u>	<u>(10,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>242,104</u>	\$ <u>167,689</u>

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



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

NOTE M - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

Management has determined that the Organization does not have any unrecognized tax benefits as of December 31, 2021 and 2020.

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.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 6, 2022, 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.

On March 17, 2022, the Organization sold real estate it held in Missouri for a total of \$175,000. The Organization received \$75,000 in cash and financed \$100,000 through a promissory note receivable with the buyer. The promissory note is a five year note receivable in which annual principal payments of \$20,000, plus 5% interest, are due every March.

