

Friends in Action International
Middletown, Pennsylvania

Financial Statements

Years Ended December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2022, the Organization adopted FASB ASC 842, *Leases*. Additional information is also in Note F. Our opinion is not modified with respect to this matter.

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
August 9, 2023**

Friends in Action International

Statements of Financial Position

December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 1,191,523 | \$ 1,439,097 |
| Receivables | 161,134 | 38,617 |
| Prepaid Expenses | 1,000 | 21 |
| Note Receivable - Individual | 20,000 | --- |
| TOTAL CURRENT ASSETS | <u>1,373,657</u> | <u>1,477,735</u> |
| PROPERTY AND EQUIPMENT | | |
| Land | 373,847 | 373,847 |
| Buildings and Improvements | 2,570,884 | 2,688,006 |
| Vehicles | 6,551 | 10,277 |
| Equipment | 1,380,477 | 1,343,461 |
| Construction in Progress | 2,485 | 14,859 |
| TOTAL PROPERTY AND EQUIPMENT | <u>4,334,244</u> | <u>4,430,450</u> |
| Less: Accumulated Depreciation | <u>1,689,503</u> | <u>1,668,763</u> |
| NET PROPERTY AND EQUIPMENT | <u>2,644,741</u> | <u>2,761,687</u> |
| OTHER ASSETS | | |
| Prepaid Lease Expense | --- | 99,042 |
| Right of Use Operating Lease - Net of Amortization | 97,334 | --- |
| Note Receivable - Individual | 80,000 | --- |
| TOTAL OTHER ASSETS | <u>177,334</u> | <u>99,042</u> |
| TOTAL ASSETS | <u>\$ 4,195,732</u> | <u>\$ 4,338,464</u> |



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

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| <i>LIABILITIES AND NET ASSETS</i> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 32,770 | \$ 11,403 |
| Accrued Wages and Accrued and Withheld Payroll Taxes | 52,850 | 62,091 |
| Security Deposit Held | 7,684 | 7,684 |
| Current Portion of Long-Term Debt | <u>68,389</u> | <u>65,744</u> |
| TOTAL CURRENT LIABILITIES | 161,693 | 146,922 |
| | | |
| LONG-TERM DEBT | <u>770,935</u> | <u>1,043,273</u> |
| TOTAL LIABILITIES | <u>932,628</u> | <u>1,190,195</u> |
| | | |
| NET ASSETS | | |
| Without Donor Restrictions | 2,388,103 | 1,922,659 |
| With Donor Restrictions | <u>875,001</u> | <u>1,225,610</u> |
| TOTAL NET ASSETS | <u>3,263,104</u> | <u>3,148,269</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,195,732</u> | <u>\$ 4,338,464</u> |



Friends in Action International

Statements of Activities

For the Years Ended December 31, 2022 and 2021

| | 2022 | | |
|---|---|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 589,884 | \$ 1,382,393 | \$ 1,972,277 |
| Donations In-Kind | 6,240 | --- | 6,240 |
| Fundraising | 15,868 | --- | 15,868 |
| Net Rental Income | 57,755 | --- | 57,755 |
| Gain on Sale of Buildings and Equipment | 135,470 | --- | 135,470 |
| Interest Income | 10,223 | --- | 10,223 |
| Net Assets Released from Restrictions | 1,733,002 | (1,733,002) | --- |
| TOTAL REVENUE AND SUPPORT | <u>2,548,442</u> | <u>(350,609)</u> | <u>2,197,833</u> |
| FUNCTIONAL EXPENSES | | | |
| Program Services | 1,826,003 | --- | 1,826,003 |
| Management and General | 141,196 | --- | 141,196 |
| Fundraising | 115,799 | --- | 115,799 |
| TOTAL FUNCTIONAL EXPENSES | <u>2,082,998</u> | <u>---</u> | <u>2,082,998</u> |
| CHANGE IN NET ASSETS | 465,444 | (350,609) | 114,835 |
| NET ASSETS - BEGINNING | <u>1,922,659</u> | <u>1,225,610</u> | <u>3,148,269</u> |
| NET ASSETS - ENDING | <u>\$ 2,388,103</u> | <u>\$ 875,001</u> | <u>\$ 3,263,104</u> |



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

2021

| Without Donor Restrictions | With Donor Restrictions | Totals |
|---|------------------------------------|---------------------|
| \$ 314,466 | \$ 1,620,628 | \$ 1,935,094 |
| 4,268 | --- | 4,268 |
| 15,635 | --- | 15,635 |
| 54,174 | --- | 54,174 |
| --- | --- | --- |
| 49 | --- | 49 |
| 1,069,438 | (1,069,438) | --- |
| <u>1,458,030</u> | <u>551,190</u> | <u>2,009,220</u> |
| 1,172,063 | --- | 1,172,063 |
| 133,921 | --- | 133,921 |
| 73,892 | --- | 73,892 |
| <u>1,379,876</u> | <u>---</u> | <u>1,379,876</u> |
| 78,154 | 551,190 | 629,344 |
| <u>1,844,505</u> | <u>674,420</u> | <u>2,518,925</u> |
| <u>\$ 1,922,659</u> | <u>\$ 1,225,610</u> | <u>\$ 3,148,269</u> |



Friends in Action International

Statements of Functional Expenses

For the Years Ended December 31, 2022 and 2021

| | 2022 | | | |
|------------------------------------|-----------------------------|-----------------------------------|--------------------------|----------------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
| Salaries, Wages, and Related Items | \$ 536,031 | \$ 84,492 | \$ 60,251 | \$ 680,774 |
| Forward Funds | 681,831 | --- | --- | 681,831 |
| National Workers Support | 21 | --- | --- | 21 |
| Construction Materials | 114,794 | --- | --- | 114,794 |
| Field Operating Expenses | 1,559 | --- | --- | 1,559 |
| Supplies | 81,378 | 237 | 168 | 81,783 |
| Travel | 109,448 | 735 | 524 | 110,707 |
| Vehicle Expense | 2,983 | 157 | 111 | 3,251 |
| Repairs and Maintenance | 71,284 | 2,199 | 1,568 | 75,051 |
| Depreciation | 99,628 | 5,942 | 4,237 | 109,807 |
| Lease Expense | 1,708 | --- | --- | 1,708 |
| Property Taxes | 8,153 | 1,411 | 1,006 | 10,570 |
| Utilities | 19,877 | 2,480 | 1,768 | 24,125 |
| Insurance | 9,761 | 946 | 877 | 11,584 |
| Office Supplies and Expense | 16,087 | 2,784 | 2,013 | 20,884 |
| Postage and Shipping | 33,237 | 297 | 411 | 33,945 |
| Interest Expense | 15,251 | 2,640 | 1,882 | 19,773 |
| Advertising | 9,914 | 6,846 | 14,090 | 30,850 |
| Meetings | 249 | --- | --- | 249 |
| Dues and Training | 3,030 | 524 | 374 | 3,928 |
| Bank Charges | 6,064 | 700 | 499 | 7,263 |
| Professional Fees | 3,315 | 22,036 | 409 | 25,760 |
| Taxes | --- | 6,770 | --- | 6,770 |
| Miscellaneous | 400 | --- | --- | 400 |
| Donor Development | --- | --- | 25,611 | 25,611 |
| Total | <u><u>\$ 1,826,003</u></u> | <u><u>\$ 141,196</u></u> | <u><u>\$ 115,799</u></u> | <u><u>\$ 2,082,998</u></u> |



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

2021

| Program Services | Management and General | Fundraising | Total Expenses |
|-----------------------------|-----------------------------------|--------------------|---------------------------|
| \$ 516,059 | \$ 79,744 | \$ 37,087 | \$ 632,890 |
| 320,077 | --- | --- | 320,077 |
| --- | --- | --- | --- |
| 17,215 | --- | --- | 17,215 |
| --- | --- | --- | --- |
| 34,460 | 264 | 149 | 34,873 |
| 19,412 | 231 | 107 | 19,750 |
| 1,050 | 87 | 41 | 1,178 |
| 36,184 | 2,466 | 1,147 | 39,797 |
| 109,654 | 5,424 | 2,523 | 117,601 |
| 1,708 | --- | --- | 1,708 |
| 8,467 | 1,308 | 609 | 10,384 |
| 15,216 | 1,377 | 769 | 17,362 |
| 9,892 | 580 | 425 | 10,897 |
| 8,936 | 1,322 | 615 | 10,873 |
| 16,675 | 639 | 298 | 17,612 |
| 19,258 | 2,976 | 1,384 | 23,618 |
| 13,146 | 4,530 | 9,479 | 27,155 |
| 23 | --- | --- | 23 |
| 14,019 | 2,166 | 1,008 | 17,193 |
| 4,939 | 488 | 227 | 5,654 |
| 5,637 | 22,535 | 405 | 28,577 |
| --- | 7,784 | --- | 7,784 |
| 36 | --- | --- | 36 |
| --- | --- | 17,619 | 17,619 |
| <u>\$ 1,172,063</u> | <u>\$ 133,921</u> | <u>\$ 73,892</u> | <u>\$ 1,379,876</u> |



Friends in Action International

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 114,835 | \$ 629,344 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 140,644 | 147,846 |
| Gain on Sale of Buildings and Equipment | (135,470) | --- |
| Amortization of Loan Origination Fees | 909 | 909 |
| Change in Assets and Liabilities: | | |
| Receivables | (122,517) | (11,288) |
| Prepaid Expenses | 729 | 1,764 |
| Accounts Payable | 21,367 | (26,767) |
| Other Current Liabilities | (9,241) | 15,787 |
| | <u>11,256</u> | <u>757,595</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Equipment | (87,128) | (70,366) |
| Proceeds from Sale of Buildings and Equipment | 198,900 | --- |
| | <u>111,772</u> | <u>(70,366)</u> |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal Payments on Long-Term Debt | (270,602) | (72,912) |
| Issuance of Note Receivable - Individual | (100,000) | --- |
| | <u>(370,602)</u> | <u>(72,912)</u> |
| NET CASH USED BY FINANCING ACTIVITIES | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (247,574) | 614,317 |
| CASH AND CASH EQUIVALENTS - BEGINNING | <u>1,439,097</u> | <u>824,780</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 1,191,523</u> | <u>\$ 1,439,097</u> |

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



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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 2022 and 2021, the Organization's focus was in seven remote areas of West Africa, Bolivia, Moldova, Nicaragua, Papua New Guinea, Peru, 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, woodworking, 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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)" and subsequent related updates to revise the accounting for leases. Under the new guidance, lessees are required to recognize a lease liability and right-of-use asset for all leases based on the present value of future lease payments using an estimated borrowing rate. Leases historically classified as a capital lease are now classified as financing leases but are otherwise largely unchanged. Lessor accounting activities are largely unchanged from legacy lease accounting. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This new guidance was effective for private companies for reporting periods beginning after December 15, 2021, which makes an effective date of January 1, 2022, for the Organization.

Though of insignificant impact, as outlined in the paragraph below, the Organization adopted this guidance, and subsequent related updates, on modified retrospective basis. The Organization elected the package of practical expedients, which includes a provision which allows for the grandfathering of lease classification, among other items, and the hindsight practical expedient to determine the lease term. All leases in which the Organization is the lessee were classified as operating leases and continue to be classified as such. The Organization is not applying the new guidance to leases with less than 12 months. The Organization did not elect to apply the standard to total lease consideration (both lease and non-lease components) and is only applying the standard to the amount explicitly classified as lease payments within the lease agreement.

The Organization, through its operations, is both a lessor and a lessee. The Organization's activity as a lessor is further outlined under Revenue Recognition below and Note I, and its activity as a lessee is further outlined in Note F.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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.

The Organization records revenue from office space leased to an unrelated party in alignment with the lease agreement and in accordance with Leases (Topic 842).

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, 2022 and 2021, respectively.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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 \$140,644 and \$147,846 for the years ended December 31, 2022 and 2021, respectively.

Loan Origination Fee

The Organization has incurred loan origination fees totaling \$13,644 as of December 31, 2022 and 2021, respectively. The loan fee incurred in 2020 of \$13,644 is being amortized over a period of 15 years. The amortization of the loan origination fee was \$909 during each of the years ended December 31, 2022 and 2021 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 \$38,638 and \$46,327 for the years ended December 31, 2022 and 2021, respectively. Cash paid for taxes on unrelated business income totaled \$6,770 and \$7,784 for the years ended December 31, 2022 and 2021, respectively.

Advertising

Advertising costs are charged to operations in the year incurred and totaled \$30,850 and \$27,155 for the years ended December 31, 2022 and 2021, respectively.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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, 2022 and 2021, the Organization's uninsured cash balance was \$95,924 and \$209,548, 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 \$333,874 and \$332,755 as of December 31, 2022 and 2021, respectively. Included in overseas equipment is a piece of well-drilling equipment with a net book value of approximately \$28,200 and \$32,800 as of December 31, 2022 and 2021, 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.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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

Global Pandemic (Continued)

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.

Concentration of Contributors

Approximately 9% and 11% of the Organization's contributions was provided by one donor for the years ended December 31, 2022 and 2021, respectively. Approximately 93% and -0% of the Organization's receivables, including pledges receivable, was from the same donor as of December 31, 2022 and 2021, respectively.

NOTE D - RECEIVABLES

Beginning and end of the year receivables consisted of the following as of December 31, 2022, and 2021, and 2020:

| | <u>December 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <i>Shipping Ministry</i> | \$ (521) | \$ 18,972 | \$ 5,428 |
| <i>Staff</i> | --- | 470 | 623 |
| <i>General</i> | 11,655 | 592 | 3,097 |
| <i>Postage</i> | --- | 105 | 111 |
| <i>Contributions</i> | <u>150,000</u> | <u>18,478</u> | <u>18,070</u> |
| Total Receivables | <u>\$ 161,134</u> | <u>\$ 38,617</u> | <u>\$ 27,329</u> |



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Property and Equipment located in the United States: | | |
| <i>Land</i> | \$ 319,965 | \$ 319,965 |
| <i>Buildings and Improvements</i> | 2,349,916 | 2,467,038 |
| <i>Vehicles</i> | 6,551 | 10,277 |
| <i>Equipment</i> | 185,700 | 213,306 |
| <i>Construction in Progress</i> | <u>2,485</u> | <u>14,859</u> |
| Total United States Property and Equipment | <u>2,864,617</u> | <u>3,025,445</u> |
| Property and Equipment located overseas: | | |
| <i>Land</i> | 53,882 | 53,882 |
| <i>Improvements</i> | 220,968 | 220,968 |
| <i>Equipment</i> | <u>1,194,777</u> | <u>1,130,155</u> |
| Total Overseas Property and Equipment | <u>1,469,627</u> | <u>1,405,005</u> |
| Total Property and Equipment | 4,334,244 | 4,430,450 |
| <i>Less: Accumulated Depreciation</i> | <u>1,689,503</u> | <u>1,668,763</u> |
| Net Property and Equipment | \$ <u>2,644,741</u> | \$ <u>2,761,687</u> |

NOTE F - PREPAID OPERATING LEASE EXPENSE AND RIGHT OF USE ASSET - OPERATING

Several years ago, the Organization prepaid lease expense for the lease of land in Santo, Vanuatu. The amount previously paid is being amortized straight-line over its life of 65 years, and the related lease expense was \$1,708 for both of the years ended December 31, 2022 and 2021, respectively. On January 1, 2022, the Organization recorded a right-of-use asset and a right-of-use operating liability of \$99,042 for the operating lease. The \$99,042 prepaid expense was then applied to the right-of-use lease liability reducing the balance to \$-0- for the year ended December 31, 2022. For the year ended December 31, 2021, the prepaid amount is recorded as a prepaid lease expense as ASU No. 2016-02, "Leases (Topic 842)" had not yet been adopted.

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 principal balance was in the amount of \$1,230,000. The loan is secured by the property and any lease rental revenue. The loan requires 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 \$1,890,718, respectively, as of December 31, 2022 and \$2,279,656 and \$1,949,797, respectively, as of December 31, 2021, and are included under the caption of Buildings and Improvements on the Statements of Financial Position.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

NOTE G - LONG -TERM DEBT (Continued)

Following is a summary of the outstanding balances as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|---------------------|
| <i>Building Loan</i> | \$ 850,611 | \$ 1,121,213 |
| <i>Less: Loan Origination Fees, Net</i> | <u>11,287</u> | <u>12,196</u> |
| Total Long-Term Debt | 839,324 | 1,109,017 |
| <i>Less: Current Portion Long-Term Debt</i> | <u>68,389</u> | <u>65,744</u> |
| Long-Term Debt | <u>\$ 770,935</u> | <u>\$ 1,043,273</u> |

The following table summarizes the maturity of long-term debt as of December 31, 2022:

| <u>Years Ending December 31,</u> | <u>Amount</u> |
|--------------------------------------|-------------------|
| 2023..... | \$ 68,389 |
| 2024..... | 71,139 |
| 2025..... | 74,001 |
| 2026..... | 76,977 |
| 2027..... | 80,074 |
| Thereafter..... | <u>480,031</u> |
| | <u>\$ 850,611</u> |

NOTE H - 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, 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| <i>Undesignated</i> | \$ 573,973 | \$ 267,185 |
| <i>Board Designated for Contingency Fund</i> | 20,000 | 15,000 |
| <i>Represented by Net Property and Equipment Less Related Long-Term Debt</i> | <u>1,794,130</u> | <u>1,640,474</u> |
| Total Net Assets Without Donor Restrictions | <u>\$ 2,388,103</u> | <u>\$ 1,922,659</u> |



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

NOTE H - NET ASSETS (Continued)

With Donor Restrictions

At December 31, 2022 and 2021, net assets with donor restrictions consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|---|--------------------------|----------------------------|
| <i>Staff Support</i> | \$ 302,086 | \$ 316,611 |
| <i>Medical Kits</i> | 2,167 | 1,087 |
| <i>Short-Term Missions</i> | 11,223 | 16,707 |
| <i>Bolivia</i> | 27,564 | 46,183 |
| <i>Moldova</i> | 44,415 | 27,814 |
| <i>Nicaragua</i> | 47,294 | 87,097 |
| <i>Papua New Guinea</i> | 4,003 | 40,400 |
| <i>Peru</i> | --- | 3,350 |
| <i>Vanuatu</i> | 337,331 | 445,658 |
| <i>West Africa Well Drilling</i> | <u>98,918</u> | <u>240,703</u> |
| Total Net Assets with Donor Restrictions | \$ <u>875,001</u> | \$ <u>1,225,610</u> |

For the years ended December 31, 2022 and 2021, 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>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| <i>Staff Support</i> | \$ 718,576 | \$ 575,081 |
| <i>Administrative Support</i> | --- | 27,000 |
| <i>Grant Writing</i> | --- | 302 |
| <i>Medical Kits</i> | 125 | 2,620 |
| <i>Youth Fund</i> | --- | 9,925 |
| <i>USA Headquarters Projects</i> | 4,665 | 1,800 |
| <i>Short Term Missions and Travel</i> | 19,364 | --- |
| <i>Bolivia</i> | 74,834 | 79,440 |
| <i>Moldavia</i> | 102,672 | 23,117 |
| <i>Nicaragua</i> | 128,429 | 79,434 |
| <i>Papua New Guinea</i> | 118,587 | 22,538 |
| <i>Peru</i> | 15,679 | --- |
| <i>Vanuatu</i> | 310,688 | 76,295 |
| <i>West Africa Well Drilling</i> | <u>239,383</u> | <u>171,886</u> |
| Total Net Assets Released from Donor Restrictions | \$ <u>1,733,002</u> | \$ <u>1,069,438</u> |

NOTE I - 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.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

NOTE I - OPERATING LEASE (Continued)

Net rental income for the years ended December 31, 2022 and 2021 is comprised of the following:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| <i>Rental Income</i> | \$ 119,862 | \$ 119,345 |
| <i>Less:</i> | | |
| <i>Property Taxes and Insurance</i> | 11,496 | 11,309 |
| <i>Depreciation</i> | 30,837 | 30,244 |
| <i>Interest Expense</i> | <u>19,774</u> | <u>23,618</u> |
| Net Rental Income | \$ <u>57,755</u> | \$ <u>54,174</u> |

NOTE J - 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, 2022 and 2021, the Organization provided \$27,285 and \$23,635, 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, 2022, or 2021.

During the year ended December 31, 2022, the Organization received support totaling \$89,207 and \$-0- from FIAIC and FIAUK, respectively. Additionally, during the year ended December 31, 2021, the Organization received support totaling \$27,824 and \$-0- from FIAIC and FIAUK, respectively.

NOTE K - 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, 2022 and 2021, respectively, 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.



Friends in Action International

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

NOTE K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

| | <u>2022</u> | <u>2021</u> |
|--|------------------------------|------------------------------|
| <i>Financial assets, at year-end</i> *..... | \$ 1,452,657 | \$ 1,482,714 |
| <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> | (875,001) | (1,225,610) |
| <i>Board designations:</i> | | |
| <i>Amounts set aside for contingency fund</i> | (20,000) | (15,000) |
| <i>Note Receivable - Individual</i> | <u>(80,000)</u> | <u>---</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>477,656</u> | \$ <u>242,104</u> |

* Total assets, less nonfinancial assets (e.g., prepaid expenses, property, and equipment, and right of use operating lease).

NOTE L - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

Management has determined that the Organization does not have any unrecognized tax benefits as of December 31, 2022 and 2021.

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 M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 9, 2023, the date the financial statements were issued. There were no material subsequent events that require recognition or additional disclosure in these financial statements.

