

FRIENDS IN ACTION INTERNATIONAL

***YEARS ENDED
DECEMBER 31, 2013 AND 2012***

FRIENDS IN ACTION INTERNATIONAL

DECEMBER 31, 2013 AND 2012

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5-6
Notes to financial statements	7-13
Accompanying information to financial statements:	
Natural expense classifications	14-15



Independent Auditors' Report

Board of Trustees
Friends in Action International
Middletown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Friends in Action International (the Organization, a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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, 2013 and 2012 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The natural expense classifications are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown Schultz Steindler & Fritz

July 22, 2014

(THIS PAGE INTENTIONALLY LEFT BLANK)

FRIENDS IN ACTION INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION – DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 262,496	\$ 386,744
Restricted cash account	98,241	7,610
Receivables	51,501	54,473
Inventory	1,270	5,919
Prepaid expenses	<u>2,235</u>	<u>2,377</u>
Total current assets	<u>415,743</u>	<u>457,123</u>
Noncurrent assets:		
Long-term prepaid lease	110,998	112,706
Property and equipment, net of accumulated depreciation of \$660,435 and \$587,442 in 2013 and 2012, respectively	<u>1,332,451</u>	<u>985,093</u>
Total noncurrent assets	<u>1,443,449</u>	<u>1,097,799</u>
Total assets	<u>\$ 1,859,192</u>	<u>\$ 1,554,922</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities:		
Accounts payable	\$ 49,485	\$ 38,373
Accrued liabilities	58,396	53,659
Other payable	5,000	
Total liabilities, all current	112,881	92,032
Net assets:		
Temporarily restricted	482,360	573,494
Unrestricted	1,263,951	889,396
Total net assets	1,746,311	1,462,890
Total liabilities and net assets	\$ 1,859,192	\$ 1,554,922

FRIENDS IN ACTION INTERNATIONAL

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		2012	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Public support and revenue:				
Public support - contributions	\$ 322,878	\$ 1,434,177	\$ 147,355	\$ 1,519,107
Income, interest	104	104	10	10
Net assets released from restrictions	1,525,311	(1,525,311)	1,182,244	(1,182,244)
Total public support and revenue	1,848,293	(91,134)	1,329,609	336,863
Expenses:				
Program	1,116,524	1,116,524	1,126,522	1,126,522
Management and general	320,808	320,808	229,564	229,564
Fund-raising	36,406	36,406	40,314	40,314
Total expenses	1,473,738	1,473,738	1,396,400	1,396,400
Change in net assets	374,555	(91,134)	(66,791)	336,863
Net assets:				
Beginning of year	889,396	573,494	956,187	236,631
End of year	\$ 1,263,951	\$ 482,360	\$ 889,396	\$ 573,494
		\$ 1,746,311	\$ 889,396	\$ 1,192,818
		\$ 1,462,890	\$ 889,396	\$ 1,462,890

See notes to financial statements.

FRIENDS IN ACTION INTERNATIONAL

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 283,421	\$ 270,072
Adjustments:		
Depreciation	105,400	78,606
Loss on disposal property plant and equipment	2,492	
Donated property, plant and equipment	(24,167)	(2,635)
Decrease in:		
Receivables	2,972	8,571
Inventory	4,649	9,775
Prepaid expense	1,850	3,381
Increase in:		
Accounts payable	9,267	9,883
Accrued liabilities	4,737	15,067
Net cash provided by operating activities	<u>390,621</u>	<u>392,720</u>
Cash flows used in investing activities, purchase of property and equipment	<u>(424,238)</u>	<u>(120,998)</u>
Net increase (decrease) in cash and cash equivalents	(33,617)	271,722
Cash and cash equivalents:		
Beginning of year	<u>394,354</u>	<u>122,632</u>
End of year	<u>\$ 360,737</u>	<u>\$ 394,354</u>

(continued)

FRIENDS IN ACTION INTERNATIONAL
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 2,187	\$ 2,032

Noncash investing activities:

In 2013 and 2012 , the Organization received donated parts and equipment of \$60,883 and \$14,634, respectively.

The Organization capitalized \$24,167 and \$2,635 in 2013 and 2012 as part of property, plant and equipment. The remainder was included as part of repairs and maintenance.

In 2013, equipment in the amount of \$6,845 was capitalized. Amounts were included in accounts payable and other payable at December 31, 2013.

See notes to financial statements.

FRIENDS IN ACTION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

1. Nature of activities and significant accounting policies:

Nature of activities:

Friends in Action International (the Organization) is a not-for-profit organization whose purpose is furthering and encouraging the evangelizing of unreached tribal peoples through the planting of indigenous new testament churches and the translation of scripture into indigenous languages.

The Organization fulfills its purpose through contributions received from the general public and other not-for-profit organizations and churches. Contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code. Approximately 32% and 35% of the Organization's public support and revenue were provided by Board members for the years ended December 31, 2013 and 2012, respectively.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization considers all investments in money market funds under a cash management sweep agreement and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash accounts are associated with a letter of credit required as part of the construction site work of the administrative building.

Receivables:

Receivables are stated at the amount management expects to collect from outstanding balances and are not collateralized.

Inventory valuation:

Inventory consists of items purchased for use at various mission sites which have not been shipped out as of year-end and are valued at actual cost or estimated cost.

FRIENDS IN ACTION INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

1. Nature of activities and significant accounting policies (continued):

Property and equipment:

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Routine repairs and maintenance are expensed as incurred. Equipment purchased and given 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 and not likely to be returned to the United States of America are shown in project vehicles and equipment and depreciated over the useful life of the vehicle or equipment. Property and equipment are depreciated using the straight-line method.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no such restrictions at December 31, 2013 or 2012.

Contributions:

Contributions are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor restrictions.

Contributed services:

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

FRIENDS IN ACTION INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

1. Nature of activities and significant accounting policies (continued):

Functional allocation of expenses:

The costs of providing the various activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the functions benefited.

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

2. Cash and cash equivalents:

The Organization maintains several bank accounts that may at times exceed the federally insured limits. At December 31, 2013 bank deposits in these accounts totaled \$375,284. Federal Deposit Insurance Corporation (FDIC) insured \$258,244 of this amount. Restricted cash accounts are associated with a required letter of credit pertaining to site work for the new administrative building.

3. Long-term prepaid lease:

The long-term prepaid lease represents amounts paid for the lease of land in Santo, Vanuatu. The lease is being amortized over its life of 75 years, and the related rent expense was \$1,708 for both the years ended December 31, 2013 and 2012.

FRIENDS IN ACTION INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

4. Receivables:

Receivables consist of the following:

	2013	2012
Shipping ministry	\$ 28,433	\$ 37,572
General	7,373	243
Postage	85	121
Contributions in transit	15,610	16,537
Total receivables	\$ 51,501	\$ 54,473

5. Property and equipment:

	2013	2012
Land	\$ 465,080	\$ 465,080
Buildings	88,446	88,446
Improvements	76,746	76,746
Equipment	154,819	143,445
Project vehicles and equipment	966,961	672,399
Vehicles	23,477	23,477
Construction in progress	217,357	102,942
	1,992,886	1,572,535
Accumulated depreciation	(660,435)	(587,442)
Total	\$ 1,332,451	\$ 985,093

FRIENDS IN ACTION INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

6. Temporarily restricted net assets:

Temporarily restricted net assets consist of assets raised and available for staff support and specified projects as follows at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
USA Headquarters projects	\$ 318,946	\$ 168,677
Staff support	63,295	73,154
West Africa well drilling	38,339	167,450
Mongolia		5,439
India		8,256
Papua, New Guinea	7,790	52,255
Vanuatu	7,104	
Russia (Moldava)	12,566	14,432
Bolivia	5,134	5,058
Nicaragua	29,186	78,773
	<u>\$ 482,360</u>	<u>\$ 573,494</u>

FRIENDS IN ACTION INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

7. Net assets released from restrictions:

Amounts released from restrictions consisted of amounts expensed predominantly for staff support and specified projects as follows for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Domestic Missionary Service	\$ 28,859	\$ 23,578
USA Headquarters projects	90,087	62,623
Staff support	599,749	620,480
West Africa well drilling	187,849	68,256
Guinea, Africa		68
West Africa Mega Voice		90
Mongolia	5,439	6,000
India	8,256	60
Papua, New Guinea	71,626	15,284
Vanuatu	326,959	163,027
Russia (Moldava)	38,386	113,148
Bolivia	20,716	24,841
Nicaragua	147,385	84,789
Total restrictions released	<u>\$ 1,525,311</u>	<u>\$ 1,182,244</u>

8. Related entity:

Effective January 1, 2007, the Organization entered into an agreement with Friends in Action, International – Canada (FIAIC), a separate legal entity chartered under the rules of Canada, to provide financial support to various mission projects run separately by each entity. While the Organization has an economic interest in FIAIC, it does not have control. Therefore, its operations are not consolidated in the financial statements of the Organization.

In 2013 and 2012, FIAIC provided the Organization \$32,791 and \$16,989, respectively, in support for various mission projects run by the Organization. In 2013 and 2012, the Organization provided FIAIC with support for mission projects totaling \$28,971 and \$20,131, respectively.

FRIENDS IN ACTION INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

9. Income tax status:

The Internal Revenue Service has determined that the Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. It is also exempt for state purposes.

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, to account for uncertainty in income taxes. The Organization files a Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service. The Organization's returns are no longer open to audit under the statute of limitations of these tax authorities for the years before 2010.

10. Commitments:

At December 31, 2013, the Organization had executed financial commitments for projects related to site work pertaining to the new administrative building. The site work is included in construction in progress. At the end of the year, approximately \$77,000 was outstanding on contracts related to this work.

11. Subsequent events:

On June 12, 2014, the Organization signed a mortgage construction (drawdown) note agreement in the amount of \$1.5 million. This loan is to be used for the construction of the new administrative building. The terms of the loan are 6.00% interest and require twelve monthly payments of interest only beginning July 2014 followed by 59 payments of principal and interest not to exceed \$9,961 monthly with a final payment of outstanding principal and interest on June 12, 2020. The loan is secured by the property and any lease rental revenue.

The Organization has evaluated subsequent events through July 22, 2014, which is the date the financial statements were available to be issued.

FRIENDS IN ACTION INTERNATIONAL

NATURAL EXPENSE CLASSIFICATIONS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Program services:		
Land purchases and leases	\$ 1,708	\$ 1,708
Construction materials	24,581	12,567
Equipment purchases	8,913	23,381
Repairs and maintenance	11,174	9,285
Consumables	79,617	75,429
Supplies	9,961	28,047
National workers support	10,830	16,896
Field operating expenses	66,255	65,418
Forward funds	219,842	185,293
Clothing	6,601	7,625
Insurance	3,315	6,853
Occupancy	6,115	18,300
Vehicle expense	785	1,123
Travel	21,277	54,957
Postage and shipping	19,349	45,021
Office supplies and printing	8,467	5,637
Interest expense	2,187	2,032
Depreciation	96,967	72,317
Staff support	518,580	494,633
	<u>518,580</u>	<u>494,633</u>
Total program services	<u>\$ 1,116,524</u>	<u>\$ 1,126,522</u>

(continued)

FRIENDS IN ACTION INTERNATIONAL

NATURAL EXPENSE CLASSIFICATIONS (CONTINUED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Management and general:		
Repairs and maintenance	\$ 45,334	\$ 14,652
Insurance	5,404	3,949
Occupancy	13,423	5,499
Vehicle expenses	341	233
Travel	8,641	556
Postage and shipping	1,365	2,319
Office supplies and printing	13,399	8,555
Advertising	7,593	9,632
Dues and training	3,007	4,568
Meetings	1,335	6,047
Professional fees	23,290	18,573
Bank charges	4,418	2,302
Depreciation	7,273	5,424
Staff support	179,415	142,347
Property taxes	5,742	3,645
Miscellaneous	828	1,263
	<u>\$ 320,808</u>	<u>\$ 229,564</u>
 Fund-raising:		
Insurance	\$ 122	
Donor development	9,146	\$ 11,640
Occupancy	634	502
Travel	607	730
Postage and shipping	4,972	2,972
Office supplies	158	43
Equipment rental and maintenance	229	
Printing and postage	19,378	23,562
Depreciation	1,160	865
	<u>\$ 36,406</u>	<u>\$ 40,314</u>

