

Friends in Action International
Middletown, Pennsylvania

Financial Statements

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

Board of Trustees Friends in Action International Middletown, Pennsylvania

We have audited the accompanying financial statements of Friends in Action International (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends in Action International as of December 31, 2019 and 2018, 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.



INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of Matter on Subsequent Event

As discussed in Note M to the financial statements, 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 and shelter in place orders. Management is currently evaluating the impact that COVID-19 will have on future operations. Our opinion is not modified with respect to this matter.

Walz Group

Lancaster, Pennsylvania
August 12, 2020

Friends in Action International

Statements of Financial Position

December 31, 2019 and 2018

<i>ASSETS</i>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 329,120	\$ 433,413
Receivables	25,310	25,436
Prepaid Expenses	<u>77</u>	<u>162</u>
TOTAL CURRENT ASSETS	<u>354,507</u>	<u>459,011</u>
PROPERTY AND EQUIPMENT		
Land	373,847	373,847
Buildings and Improvements	2,669,909	2,644,633
Vehicles	8,476	10,476
Equipment	1,277,297	1,234,701
Construction in Progress	<u>---</u>	<u>36,834</u>
TOTAL PROPERTY AND EQUIPMENT	4,329,529	4,300,491
Less: Accumulated Depreciation	<u>1,407,499</u>	<u>1,253,866</u>
NET PROPERTY AND EQUIPMENT	<u>2,922,030</u>	<u>3,046,625</u>
OTHER ASSET - Prepaid Lease Expense	<u>102,458</u>	<u>104,166</u>
TOTAL ASSETS	<u><u>\$ 3,378,995</u></u>	<u><u>\$ 3,609,802</u></u>



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

<i>LIABILITIES AND NET ASSETS</i>	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 29,301	\$ 22,940
Accrued Wages and Accrued and Withheld Payroll Taxes	27,658	41,376
Accrued Interest	5,384	5,649
Security Deposit Held	7,684	---
Current Portion of Long-Term Debt	<u>59,553</u>	<u>54,122</u>
TOTAL CURRENT LIABILITIES	129,580	124,087
LONG-TERM DEBT	<u>1,189,675</u>	<u>1,245,021</u>
TOTAL LIABILITIES	<u>1,319,255</u>	<u>1,369,108</u>
NET ASSETS		
Without Donor Restrictions	1,753,818	1,836,561
With Donor Restrictions	<u>305,922</u>	<u>404,133</u>
TOTAL NET ASSETS	<u>2,059,740</u>	<u>2,240,694</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,378,995</u></u>	<u><u>\$ 3,609,802</u></u>



Friends in Action International

Statements of Activities

For the Years Ended December 31, 2019 and 2018

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Contributions	\$ 192,077	\$ 769,275	\$ 961,352
Donations In-Kind	10,559	---	10,559
Fundraising	13,955	---	13,955
Net Rental Income	42,509	---	42,509
Gain on Sale of Equipment	1,800	---	1,800
Interest Income	2,245	---	2,245
Net Assets Released from Restrictions	867,486	(867,486)	---
TOTAL REVENUE AND SUPPORT	<u>1,130,631</u>	<u>(98,211)</u>	<u>1,032,420</u>
FUNCTIONAL EXPENSES			
Program Services	1,002,179	---	1,002,179
Management and General	108,687	---	108,687
Fundraising	102,508	---	102,508
TOTAL FUNCTIONAL EXPENSES	<u>1,213,374</u>	<u>---</u>	<u>1,213,374</u>
CHANGE IN NET ASSETS	(82,743)	(98,211)	(180,954)
NET ASSETS - BEGINNING	<u>1,836,561</u>	<u>404,133</u>	<u>2,240,694</u>
NET ASSETS - ENDING	<u>\$ 1,753,818</u>	<u>\$ 305,922</u>	<u>\$ 2,059,740</u>



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

2018

Without Donor Restrictions	With Donor Restrictions	Totals
\$ 242,120	\$ 911,372	\$ 1,153,492
26,268	---	26,268
11,199	---	11,199
10,699	---	10,699
---	---	---
---	---	---
897,563	(897,563)	---
1,187,849	13,809	1,201,658
1,062,779	---	1,062,779
114,365	---	114,365
78,886	---	78,886
1,256,030	---	1,256,030
(68,181)	13,809	(54,372)
1,904,742	390,324	2,295,066
\$ 1,836,561	\$ 404,133	\$ 2,240,694



Friends in Action International

Statements of Functional Expenses

For the Years Ended December 31, 2019 and 2018

	2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 253,482	\$ 54,869	\$ 32,458	\$ 340,809
Forward Funds	236,391	---	---	236,391
National Workers Support	40,066	---	---	40,066
Construction Materials	54,297	---	---	54,297
Field Operating Expenses	17,563	---	---	17,563
Supplies	23,759	2,118	1,252	27,129
Travel	105,256	1,150	1,874	108,280
Vehicle Expense	2,725	207	123	3,055
Repairs and Maintenance	41,248	3,466	2,050	46,764
Depreciation	114,971	6,938	4,104	126,013
Lease Expense	1,708	---	---	1,708
Property Taxes	6,504	1,670	989	9,163
Utilities	17,690	2,822	1,670	22,182
Insurance	8,585	783	602	9,970
Office Supplies and Expense	9,983	2,662	1,518	14,163
Postage and Shipping	21,292	506	590	22,388
Interest Expense	32,257	6,176	3,654	42,087
Advertising	2,828	581	10,465	13,874
Meetings	---	357	---	357
Dues and Training	1,070	1,070	---	2,140
Bank Charges	4,947	466	276	5,689
Professional Fees	5,307	17,874	24,495	47,676
Taxes	---	4,960	---	4,960
Miscellaneous	250	12	---	262
Donor Development	---	---	16,388	16,388
Total	<u><u>\$ 1,002,179</u></u>	<u><u>\$ 108,687</u></u>	<u><u>\$ 102,508</u></u>	<u><u>\$ 1,213,374</u></u>



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

2018

Program Services	Management and General	Fundraising	Total Expenses
\$ 335,733	\$ 59,588	\$ 35,496	\$ 430,817
205,522	---	---	205,522
33,764	---	---	33,764
38,218	---	---	38,218
6,895	---	---	6,895
19,391	657	4,694	24,742
108,446	1,207	719	110,372
5,211	306	182	5,699
55,319	2,302	1,372	58,993
121,649	6,980	4,158	132,787
1,708	---	---	1,708
4,682	992	591	6,265
20,314	2,613	1,557	24,484
6,202	1,963	243	8,408
14,483	2,420	8,318	25,221
39,739	493	617	40,849
26,909	5,703	3,397	36,009
---	1,144	1,950	3,094
3,412	1,802	---	5,214
257	2,860	---	3,117
6,309	964	574	7,847
8,484	22,371	1,071	31,926
---	---	---	---
132	---	---	132
---	---	13,947	13,947
\$ 1,062,779	\$ 114,365	\$ 78,886	\$ 1,256,030



Friends in Action International

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (180,954)	\$ (54,372)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	155,634	164,079
Gain on Sale of Equipment	(1,800)	---
Amortization of Loan Origination Fees	11,272	1,218
Non-Cash Donation of Equipment	---	(20,000)
Change in Assets and Liabilities:		
Receivables	126	95,367
Inventory	---	487
Prepaid Expenses	1,793	1,978
Accounts Payable	6,361	(20,543)
Other Current Liabilities	(6,299)	(6,722)
	<u>(13,867)</u>	<u>161,492</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>(13,867)</u>	<u>161,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(31,039)	(25,443)
Proceeds from Sale of Equipment	1,800	---
	<u>(29,239)</u>	<u>(25,443)</u>
NET CASH USED BY INVESTING ACTIVITIES		
	<u>(29,239)</u>	<u>(25,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(61,187)	(72,261)
	<u>(61,187)</u>	<u>(72,261)</u>
NET CASH USED BY FINANCING ACTIVITIES		
	<u>(61,187)</u>	<u>(72,261)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(104,293)	63,788
CASH AND CASH EQUIVALENTS - BEGINNING	<u>433,413</u>	<u>369,625</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 329,120</u>	<u>\$ 433,413</u>

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



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

In 2019 and 2018, the Organization's focus was in six remote areas of 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.

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.



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets and Services (Continued)

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.

The Organization received \$-0- and \$20,000 of donated equipment, and \$10,559 and \$6,268 of donated materials during the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018.

Property and Equipment

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

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

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

Depreciation expense charged to operations amounted to \$155,634 and \$164,079 for the years ended December 31, 2019 and 2018.

Loan Origination Fees

The Organization has incurred loan origination fees totaling \$18,276 as of December 31, 2019 and 2018. The cost of the fees is being amortized over a period of 6 years. The amortization of the loan origination fees amounted to \$11,272 and \$1,218 during the years ended December 31, 2019 and 2018, 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.



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$64,941 and \$68,800 for the years ended December 31, 2019 and 2018, respectively. Cash paid for taxes on unrelated business income totaled \$4,960 and \$-0- for the years ended December 31, 2019 and 2018, respectively.

Advertising

Advertising costs are charged to operations in the year incurred and totaled \$13,874 and \$3,094 for the years ended December 31, 2019 and 2018, respectively.

Reclassifications

In 2019, the Organization's presentation of certain expenses within its Statement of Functional Expenses was changed to present donations and grants to outside organizations as Forward Funds. Previously these expenses were recorded to the respective expense account to which the donation or grant related such as Construction Materials or National Workers Support.

Amounts presented for the year ended December 31, 2018 have been reclassified to conform to the current year presentation as follows:

<i>Forward Funds</i>	\$ 157,207
<i>National Workers Support</i>	(38,342)
<i>Construction Materials</i>	(66,241)
<i>Field Operating Expenses</i>	(29,327)
<i>Supplies</i>	(6,695)
<i>Repairs and Maintenance</i>	(16,602)

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.



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

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

Concentrations of Credit Risk

The Organization may maintain certain bank accounts in excess of the FDIC insured limited at various times throughout the year. As of December 31, 2019 and 2018, the Organization's uninsured cash balance was \$-0- and \$43,500, 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 \$399,790 and \$461,037 as of December 31, 2019 and 2018, respectively. Included in overseas equipment is a piece of well-drilling equipment with a net book value of approximately \$45,000 and \$52,500 as of December 31, 2019 and 2018, 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.

NOTE D - RECEIVABLES

Receivables consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<i>Shipping Ministry</i>	\$ 8,302	\$ 10,323
<i>Staff</i>	204	---
<i>General</i>	144	1,197
<i>Postage</i>	156	77
<i>Contributions</i>	<u>16,504</u>	<u>13,839</u>
Total Receivables	<u>\$ 25,310</u>	<u>\$ 25,436</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Property and Equipment located in the United States:		
<i>Land</i>	\$ 319,965	\$ 319,965
<i>Buildings and Improvements</i>	2,448,941	2,427,034
<i>Vehicles</i>	8,476	10,476
<i>Equipment</i>	187,313	194,786
<i>Construction in Progress</i>	---	<u>16,834</u>
Total United States Property and Equipment	<u>2,964,695</u>	<u>2,969,095</u>
Property and Equipment located overseas:		
<i>Land</i>	53,882	53,882
<i>Improvements</i>	220,968	217,599
<i>Equipment</i>	1,089,984	1,039,915
<i>Construction in Progress</i>	---	<u>20,000</u>
Total Overseas Property and Equipment	<u>1,364,834</u>	<u>1,331,396</u>
Total Property and Equipment	4,329,529	4,300,491
<i>Less: Accumulated Depreciation</i>	<u>1,407,499</u>	<u>1,253,866</u>
Net Property and Equipment	<u>\$ 2,922,030</u>	<u>\$ 3,046,625</u>



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

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, 2019 and 2018.

NOTE G - LONG-TERM DEBT

The Organization has a mortgage outstanding to a bank related to administrative and warehouse facilities constructed in Middletown, Pennsylvania. The original note was in the amount of \$1,500,000. The loan is payable in 60 monthly installments of \$9,961, including interest at 5%, with one final payment of outstanding principal and interest due on June 12, 2020. The loan is secured by the property and any lease rental revenue. The cost and net book value of the property were \$2,279,656 and \$2,067,955, respectively, as of December 31, 2019 and \$2,279,656 and \$2,127,035, respectively, as of December 31, 2018, and are included under the caption of Buildings and Improvements on the Statements of Financial Position.

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 maturing 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.

The current portion of long-term debt and table summarizing the maturity of long-term debt as presented below are based on the monthly payments due through May 2020 under the current note agreement and amounts due under the refinanced note agreement thereafter.

Following is a summary of the outstanding balances as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<i>Mortgage Construction Note</i>	\$ 1,250,751	\$ 1,311,938
<i>Less: Loan Origination Fees, Net</i>	<u>1,523</u>	<u>12,795</u>
Total Long-Term Debt	1,249,228	1,299,143
<i>Less: Current Portion Long-Term Debt</i>	<u>59,553</u>	<u>54,122</u>
Long-Term Debt	<u>\$ 1,189,675</u>	<u>\$ 1,245,021</u>

The following table summarizes the maturity of long-term debt as of December 31, 2019:

<u>Years Ending</u> <u>December 31,</u>	<u>Amount</u>
2020.....	\$ 59,553
2021.....	63,202
2022.....	65,744
2023.....	68,389
2024.....	71,139
Thereafter.....	<u>922,724</u>
	<u>\$ 1,250,751</u>



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
<i>Undesignated</i>	\$ 82,539	\$ 101,874
<i>Represented by Net Property and Equipment Less Related Long-Term Debt</i>	<u>1,671,279</u>	<u>1,734,687</u>
Total Net Assets Without Donor Restrictions	\$ <u>1,753,818</u>	\$ <u>1,836,561</u>

With Donor Restrictions

At December 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
<i>Staff Support</i>	\$ 77,915	\$ 62,357
<i>Grant Writing</i>	312	24,000
<i>Medical Kits</i>	2,703	1,816
<i>Short-Term Missions</i>	---	237
<i>Bolivia</i>	7,964	6,253
<i>India</i>	---	15,565
<i>Moldova</i>	23,994	15,473
<i>Nicaragua</i>	24,499	42,680
<i>Papua New Guinea</i>	2,870	10,611
<i>Vanuatu</i>	16,519	13,721
<i>West Africa Well Drilling</i>	<u>149,146</u>	<u>211,420</u>
Total Net Assets with Donor Restrictions	\$ <u>305,922</u>	\$ <u>404,133</u>

For the years ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
<i>Staff Support</i>	\$ 340,249	\$ 459,049
<i>Grant Writing</i>	23,688	---
<i>Medical Kits</i>	2,113	25
<i>Shipping and Handling</i>	2,125	2,205
<i>Short-Term Missions</i>	262	13,676
<i>USA Headquarters Projects</i>	9,520	32,066
<i>Bolivia</i>	30,209	31,263
<i>India</i>	15,565	---
<i>Moldova</i>	33,499	23,662
<i>Nicaragua</i>	201,727	156,322
<i>Papua New Guinea</i>	11,315	15,246
<i>Vanuatu</i>	97,039	105,564
<i>West Africa Well Drilling</i>	<u>100,175</u>	<u>58,485</u>
Total Net Assets Released from Donor Restrictions	\$ <u>867,486</u>	\$ <u>897,563</u>



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

NOTE I - OPERATING LEASE

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

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

Net rental income for the years ended December 31, 2019 and 2018 is comprised of the following:

	<u>2019</u>	<u>2018</u>
<i>Rental Income</i>	\$ 133,591	\$ 78,000
<i>Less:</i>		
<i>Commission</i>	17,586	---
<i>Property Taxes and Insurance</i>	10,014	---
<i>Depreciation</i>	29,621	31,292
<i>Interest Expense</i>	<u>33,861</u>	<u>36,009</u>
Net Rental Income	\$ <u>42,509</u>	\$ <u>10,699</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 year ended December 31, 2019, the Organization provided \$39,661 and \$0- in support to various missions projects administered by FIAIC and FIAUK, respectively. Additionally, during the year ended December 31, 2018, the Organization provided \$57,445 and \$5,870 in support to various missions projects administered by FIAIC and FIAUK, respectively.

During the year ended December 31, 2019, the Organization received support totaling \$27,734 and \$4,701 from FIAIC and FIAUK, respectively. Additionally, during the year ended December 31, 2018, the Organization received support totaling \$35,770 and \$4,175 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.



Friends in Action International

Notes to Financial Statements

Year Ended December 31, 2019 and 2018

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

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

<i>Financial assets, at year-end</i> *.....	\$ 354,430
<i>Less those unavailable for general expenditures within one year, due to donor-imposed restrictions:</i>	
<i>Restricted by donor with time or purpose restrictions</i>	<u>(305,922)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>48,508</u>

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

NOTE L - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

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

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

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2020, 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.

See Note G regarding a new loan agreement the Organization entered into in May 2020.

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 and shelter in place orders. There is considerable uncertainty around the duration of business closures and shelter in place orders and the near-term impact of these events on 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, the Organization has been 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. As of the report date the Organization's office is open and the shelter in place orders have substantially been lifted. Additionally, the Organization obtained a loan totaling \$52,940 through the Payroll Protection Program to help cover payroll, rent, utility and other expenses. The loan is unsecured, bears interest at a rate of 1%, and has a two-year term. The loan is eligible for full or partial forgiveness if certain criteria are met.

Management is currently evaluating the impact that COVID-19 will have on future operations, however, given the significant uncertainties surrounding these events the impact to the Organization's financial position, results of operation and cash flows cannot be reasonably estimated as of the report date.

