CAPIN CROUSE LLP
Certified Public Accountants
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MANAGEMENT LETTER

May 14, 2014

Board of Directors
Joni and Friends
Agoura Hills, California

In planning and performing our audit of the financial statements of Joni and Friends (JAF) for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered JAF's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of JAF's internal control. Accordingly, we do not express an opinion on the effectiveness of JAF's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Professional standards define a material weakness and a significant deficiency as follows:

> A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of JAF's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.
>
> A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our comments concerning internal control and other significant matters are presented as follows:

- Significant Deficiency
- Other Current Year Matters
- Status of Prior Year Comment–Significant Deficiency
- Status of Prior Year Comments–Other Matters
- Audit Committee Matters

This communication is intended solely for the information and use of management, the board of directors, and others within JAF and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to Perry Schmidt as well as many other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Joni and Friends.

Sincerely yours,

Capin Crouse LLP

Capin Crouse LLP

SIGNIFICANT DEFICIENCY

Account Reconciliations

During our audit, we noted that certain balances on the general ledger did not agree to the supporting documents. In particular, depreciation expense was understated by $173,278 after review of the fixed assets rollforward, the wheelchair inventory balance was overstated by $180,210 after a review of the inventory rollforward details and the contribution data was not properly reconciled to the general ledger resulting in a reclassification of $104,480 from the registration/tuition revenue account to the family retreat STM account. Failure to review and agree supporting schedules to the general ledger could result in material inaccurate financial information. The failure to perform these procedures could also limit the detection of improper entries designed to conceal fraudulent activity.

We recommend that underlying support for the general ledger be reviewed and agreed to the general ledger.

OTHER CURRENT YEAR MATTERS

Assumptions Used to Value Inventory

During our audit, we noted that the assumptions used to value wheelchair inventory have not been recently reviewed for reasonableness. Such a review will reduce the likelihood of material misstatement of accounting estimates. The review will also help ensure the financial statements reflect the current valuation of donated inventory based on current market conditions.

We recommend that management make a formal review of the assumptions used to value inventory for reasonableness and document such review based on knowledge about past and current events as well as conditions expected to exist using relevant and available data.

Board Monitoring

In reviewing the minutes of the Board of Directors, we look for comments regarding the Audit report and related follow up actions. Monitoring of the effectiveness of management's risk assessment and related controls help facilitate the follow up of any significant control and financial issues requiring remediation.

We recommend that the Board review and document its actions related to the documentation as it will strengthen its overall oversight and governance of the ministry.

STATUS OF PRIOR YEAR COMMENT– SIGNIFICANT DEFICIENCY

Inventory Reconciliation
During our audit procedures, we noted that the production master report was not being reconciled to the general ledger. The reconciliation would have helped to properly identify and record the inventory that had been received and distributed by the prisons. Due to the lack of reconciliation, the production master was significantly different from the general ledger resulting in a net effect on net income of $305,253.

We recommended that management reconcile the production master report to the general ledger on a monthly basis in order to properly state inventory and reduce the likelihood of losing donor confidence in the financial health of JAF if material errors occur.

Current Year Status
During our current year audit, we noted that the production master report was properly reconciled to the general ledger.

STATUS OF PRIOR YEAR COMMENTS–OTHER MATTERS

Segregation of Duties – Disbursements
During our walkthrough of the disbursements process, we noted that the director of accounting and finance had access to the check stock, was a check signer, received the bank statement, and also reviewed the bank reconciliation.

We recommended removal of the director of accounting and finance's access to check stock in order to reduce the potential risk of errors going undetected in the cash disbursement process as well as reduce the opportunity of fraudulent activity occurring.

Prior Year Management's Response
The director of accounting and finance has directed that check stock be locked at all times.

Current Year Status
The director of accounting and finance no longer has access to check stock.

Chair Corps Inventory
During our audit, we noted that that there were no periodic counts of the inventory balance at Chair Corps.

We recommended periodic counts of the wheel chair inventory at Chair Corps in order to properly state the inventory balance and reduce the likelihood of losing donor confidence in the financial health of JAF if material errors were to occur.

Current Year Status
Due to the difficulties in counting all the inventory at Chair Corps, JAF now records inventory from Chair Corps upon delivery to the prisons. This method is more reliable and more accurately reflects verifiable inventory.

AUDIT COMMITTEE MATTERS

The following information about our audit, as required by professional standards, is considered to be significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

Auditors' Responsibility under U.S. Generally Accepted Auditing Standards

As independent auditors of the financial statements, we are responsible for:

- Performing the audit in accordance with U.S. generally accepted auditing standards.
- Designing the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting.

Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is the risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

Independence

Under professional standards, including Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings, we are required to communicate all relationships between Capin Crouse LLP and the board that, in our professional judgment, may reasonably be thought to bear on independence.

We are not aware of any relationships or services that would jeopardize this condition. We affirm our objectivity and independence in performing our audit services in conformity with professional standards.

Qualitative Aspects of Accounting Practices

Accounting policies–Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 2 to the financial statements.

Changes in accounting policies–No new accounting policies were adopted, and the application of existing policies was not changed during the year.

Expected new pronouncements–The FASB has issued a number of exposure drafts that could have an impact on future financial statements. The most significant of these exposure drafts address the accounting for leases, revenue recognition, and financial instruments. These standards are expected to be issued in 2014. Effective dates are expected to be 2017 or later, with a deferral period of at least a year for nonpublic entities. As additional developments occur, we will provide management with additional information so that the impact, if any, on JAF's financial statements can be determined.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Significant and unusual transactions–Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by JAF during the year.

Uncorrected misstatements–There were no uncorrected misstatements identified during the audit.

Material corrected misstatements– Attached is a schedule of material corrected misstatements identified during the audit. We do not consider the adjustments to be a material weakness as historically JAF has not experienced similar errors and it has undertaken changes to ensure similar errors will not occur in the future.

Other corrected misstatements– Attached is a schedule of other corrected misstatements identified during the audit.

Accounting estimates–Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Issues concerning significant estimates made by management include:
- Management's identification of significant accounting estimates
- Management's process for making significant accounting estimates
- Risks of material misstatement
- Indicators of possible management bias
- Disclosure of estimation uncertainty in the financial statements

The most significant estimates include:
- Depreciation of property and equipment
- Valuation of gifts-in-kind contributions and inventory
- Allocation of expenses on a functional basis

We reviewed the process and basis for management's judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable in relation to the financial statements taken as a whole.

Financial statements disclosures and related matters–We considered issues involved and related judgments made, in formulating sensitive financial statements disclosures and believe they are presented with overall neutrality, consistency, and clarity.

Representations requested from management–A copy of the letter containing representations requested from management is attached.

AUDIT COMMITTEE MATTERS, continued

Significant Difficulties Encountered During the Audit
We are pleased to report that there were no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management
Professional standards define disagreements with management, whether or not resolved to our satisfaction, as a matter concerning financial accounting, reporting, or auditing that could be significant to the financial statements or the independent auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management's Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Significant Issues Discussed with Management
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the independent auditors. However, any discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Client: ***JAF - Joni and Friends***
Engagement: ***2013 Audit - Joni and Friends***
Period Ending: ***12/31/2013***
Workpaper: ***Corrected Misstatements***

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Record 2012 AJE1 not booked in client system.			
1410	Accum Depreciation - F & F	14,869.00	
3000	Net Assets		14,869.00
Total		**14,869.00**	**14,869.00**
Adjusting Journal Entries JE # 2			
Reverse 2012 client entry not provided to CCLLP			
1400	Furniture & Fixtures	110,060.00	
1410	Accum Depreciation - F & F		110,060.00
Total		**110,060.00**	**110,060.00**
Adjusting Journal Entries JE # 3			
To agree product inventory GL balance to supporting detail			
1300	Inventory	62,120.00	
5705	Sales	38,045.00	
1300	Inventory		38,045.00
5705	Sales		62,120.00
Total		**100,165.00**	**100,165.00**
Adjusting Journal Entries JE # 4			
To adjust Blackbaud capitalized amount in 2013.			
1200	Deposits	7,163.00	
1200	Deposits	15,730.00	
5230	Furniture and Equipment NonCap	5,187.00	
5230	Furniture and Equipment NonCap	11,390.00	
1400	Furniture & Fixtures		12,350.00
1400	Furniture & Fixtures		27,120.00
Total		**39,470.00**	**39,470.00**
Adjusting Journal Entries JE # 5			
To record additional depreciation expense and adjust accumulated depreciation			
5400	Depreciation	173,278.00	
1410	Accum Depreciation - F & F		132,777.00
1411	Accum Depreciation-television		37,852.00
1430	Accum Depreciation - Auto		2,649.00
Total		**173,278.00**	**173,278.00**

Client: *JAF - Joni and Friends*
Engagement: *2013 Audit - Joni and Friends*
Period Ending: *12/31/2013*
Workpaper: *Corrected Misstatements*

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
To write off unidentifiable deposit assets			
6601	FR FACILITY	17,000.00	
1200	Deposits		17,000.00
Total		**17,000.00**	**17,000.00**
Adjusting Journal Entries JE # 8			
To reclass perm restricted contribution from Riverside Foundation from unrestricted contributions			
4200	Contribution	500,000.00	
4201	Perm Restricted Contribution		500,000.00
Total		**500,000.00**	**500,000.00**
Adjusting Journal Entries JE # 1001			
Record client closing entry to depreciation expense			
1410	Accum Depreciation - F & F	3,707.00	
5400	Depreciation		3,707.00
Total		**3,707.00**	**3,707.00**
Adjusting Journal Entries JE # 1002			
To properly allocate funds in G/L to match donor system			
4400	Registration/Tuition	104,408.00	
4405	Family Retreat STM		104,408.00
Total		**104,408.00**	**104,408.00**
Adjusting Journal Entries JE # 1003			
To reverse improper inventory valuation entry			
6900	In Kind Gifts	180,210.00	
1305	Inventory - Wheels		180,210.00
Total		**180,210.00**	**180,210.00**
Adjusting Journal Entries JE # 1004			
To record everbank capital lease			
1485	CAPITAL LEASE	93,567.00	
2400	CAPITAL LEASE OBLIGATION	13,236.00	
5400	Depreciation	12,475.00	
5600	Interest & Finance Chg	4,748.00	
1410	Accum Depreciation - F & F		12,475.00
2400	CAPITAL LEASE OBLIGATION		93,567.00
5210	Photocopier		17,984.00
Total		**124,026.00**	**124,026.00**

Joni and Friends
INTERNATIONAL DISABILITY CENTER

May 14, 2014

Capin Crouse LLP

18757 Burbank Blvd, Suite 307

Tarzana, CA 91356

This representation letter is provided in connection with your audit of the financial statements of Joni and Friends, 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 13, 2013.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. We are aware of no material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize, and report financial data.
6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. In that regard, adequate provisions have been made:
    a. To reduce receivables, including contributions, to their estimated net collectable amounts.
    b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
    c. For pension obligations, postretirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through December 31, 2013.
    d. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
    e. For environmental clean up obligations.
    f. For amounts held for others under agency and/or split interest agreements.
    g. To ensure the appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
    h. To ensure that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
    i. To ensure that the disclosures related to accounting estimates are complete and appropriate.

j. To ensure that no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

7. The methods and significant assumptions used to determine fair values of financial instruments are as disclosed in the financial statements. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the company's accounts.
11. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
12. The following, if any, have been properly recorded or disclosed in the financial statements in accordance with U.S. GAAP:
    a. Material concentrations.
    b. Guarantees, whether written or oral, under which the organization is contingently liable.
    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
    d. Loans to executive officers.
    e. Lines of credit or similar arrangements.
    f. Agreements to repurchase assets previously sold.
    g. Security agreements in effect under the Uniform Commercial Code.
    h. All other liens or encumbrances on assets and all other pledges of assets.
    i. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.
    j. Investments in debt and equity securities, including their classification.
    k. All liabilities which are subordinated to any other actual or possible liabilities of the Organization.
    l. All leases and material amounts of rental obligations under long-term leases.
    m. Concentrations of credit risk.
    n. All recordable contributions, by appropriate net asset class including contributed services required to be recorded as contributions.
    o. Unconditional and/or conditional promises to give.
    p. Reclassifications between net asset classes.
    q. Allocations of functional expenses based on reasonable basis.
    r. Composition of assets in amounts needed to comply with all donor restrictions.
    s. Refundable advances.
    t. The fair value of financial instruments , including split interest agreements.
    u. Tax status.
    v. Board designated unrestricted net assets
13. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances. In that regard:

a. The Organization has no significant amounts of idle property and equipment or permanent excess plant capacity.

b. The Organization has no plans or intentions to discontinue the operations of any subsidiary or branch or to discontinue any significant services or activities.

c. Provision has been made to reduce all investments, intangibles, and other assets which have permanently declined in value to their realizable values.

14. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.

15. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.

Information Provided

16. We have provided you with:

a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the board of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

17. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

18. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

19. We have no knowledge of any fraud or suspected fraud that affects the organization and involves:

a. Management,

b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

20. We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

21. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

22. We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.

23. We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.

24. The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

26. Joni and Friends is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

27. We have completed and reviewed the Tax Checklist you have provided to us and have answered all questions to the best of our knowledge and belief.

28. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed approved and accepted responsibility for those financial statements and related notes.

Signature: _____
Name: Perry Schmidt
Title: Director of Finance

Signature: _____
Name: Billy Burnett
Title: Chief Financial Officer and Vice President

Signature: _____
Name: Doug Mazza
Title: President

JONI AND FRIENDS

Financial Statements
With Independent Auditors' Report

December 31, 2013 and 2012

CAPIN CROUSE LLP
Certified Public Accountants

JONI AND FRIENDS

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CAPIN CROUSE LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Joni and Friends
Agoura Hills, California

We have audited the accompanying financial statements of Joni and Friends, 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 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 auditor's 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 auditor considers 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.

Board of Directors
Joni and Friends
Agoura Hills, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Joni and Friends as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Tarzana, California
May 14, 2014

JONI AND FRIENDS

Statements of Financial Position

	December 31, 2013	December 31, 2012
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 7,811,555	$ 7,834,183
Prepaid expenses and other assets	157,249	174,039
Inventory-wheelchairs	3,380,083	3,375,890
Inventory-books and materials	100,716	162,296
	11,449,603	11,546,408
Non-current assets:		
Cash reserved for endowment	500,000	-
Television production costs - at cost, net	256,913	363,499
Investments	244,825	256,359
Land, building, and equipment - at cost, net	11,645,439	11,791,311
	12,647,177	12,411,169
Total Assets	$ 24,096,780	$ 23,957,577
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$ 392,995	$ 360,589
Accrued expenses	603,018	560,413
Capital lease - current portion	29,884	22,847
	1,025,897	943,849
Capital lease - non-current portion	63,406	12,959
	1,089,303	956,808
Net assets:		
Unrestricted	16,484,720	17,747,553
Temporarily restricted	5,789,257	5,019,716
Permanently restricted	733,500	233,500
	23,007,477	23,000,769
Total Liabilities and Net Assets	$ 24,096,780	$ 23,957,577

See notes to financial statements

JONI AND FRIENDS

Statements of Activities

	Year Ended December 31,							
	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:								
Contributions	$ 4,919,248	$ 9,360,116	$ 500,000	$14,779,364	$ 5,905,470	$ 9,200,302	$ -	$15,105,772
Sales of books and materials	623,786	-	-	623,786	621,361	-	-	621,361
Tuition and registration	2,109,373	-	-	2,109,373	1,893,360	-	-	1,893,360
Other income	72,721	-	-	72,721	89,172	-	-	89,172
Contributed airtime, wheelchairs services and materials	10,262,524	-	-	10,262,524	9,804,838	-	-	9,804,838
Net assets released from restrictions: Satisfaction of wheelchair ministry and other project restrictions	8,590,575	(8,590,575)	-	-	9,127,267	(9,127,267)	-	-
Total Support, Revenue, and Reclassifications	26,578,227	769,541	500,000	27,847,768	27,441,468	73,035	-	27,514,503
EXPENSES:								
Program services	23,843,185	-	-	23,843,185	22,578,346	-	-	22,578,346
Supporting activities:								
General and administrative	1,525,996	-	-	1,525,996	1,457,321	-	-	1,457,321
Fundraising	2,471,879	-	-	2,471,879	2,492,110	-	-	2,492,110
	3,997,875	-	-	3,997,875	3,949,431	-	-	3,949,431
Total Expenses	27,841,060	-	-	27,841,060	26,527,777	-	-	26,527,777
Change in Net Assets	(1,262,833)	769,541	500,000	6,708	913,691	73,035	-	986,726
Net Assets, Beginning of Year	17,747,553	5,019,716	233,500	23,000,769	16,833,862	4,946,681	233,500	22,014,043
Net Assets, End of Year	$16,484,720	$ 5,789,257	$ 733,500	$23,007,477	$17,747,553	$ 5,019,716	$ 233,500	$23,000,769

See notes to financial statements

JONI AND FRIENDS

Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 6,708	$ 986,726
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	506,576	511,012
Amortization	220,759	220,884
Loss on disposal of property, plant and equipment	15,643	-
Unrealized gain (loss) on investments	11,534	(15,335)
Cash reserved for endowment	(500,000)	-
Gifts-in-kind contributions	(10,262,524)	(9,804,838)
Gifts-in-kind used in operations	10,258,331	9,756,940
Net change in:		
Prepaid expenses and other assets	16,790	(38,766)
Inventory-books and materials	61,580	55,678
Accounts payable	32,406	5,172
Accrued expenses	42,605	55,690
Pledges receivable	-	-
Net Cash Provided by Operating Activities	410,408	1,733,163
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(282,780)	(273,490)
Expenditures for television production	(114,173)	(247,464)
Net Cash Used in Investing Activities	(396,953)	(520,954)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease	(36,083)	(26,575)
Net Cash Used in Financing Activities	(36,083)	(26,575)
Change in Cash and Cash Equivalents	(22,628)	1,185,634
Cash and Cash Equivalents, Beginning of Year	7,834,183	6,648,549
Cash and Cash Equivalents, End of Year	$ 7,811,555	$ 7,834,183

See notes to financial statements

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2013 and 2012

1. NATURE OF ORGANIZATION:

Joni and Friends (JAF) was incorporated in 1979 in California as a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). It is also exempt from California state income taxes under Section 23701d of the California Revenue and Taxation Code. JAF has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Code. Contributions by the public are deductible for income tax purposes.

JAF is a religious organization dedicated to accelerating Christian ministry in the disability community. Field and service programs promote a Biblical response toward disabilities, assisting individuals and churches through evangelism, training, encouragement, and practical service.

In April of 2007, the Joni and Friends International Disability Center was opened in Agoura Hills, California as the permanent headquarters. In the same year, the Christian Institute on Disability was established to aggressively promote a Christ-centered, Biblical approach that protects human dignity and the sanctity of all human life, no matter what the disabling condition.

JAF has several chapters located in the United States of America. These chapters are controlled by JAF, and consequently, the financial position and results of operations of all chapters are included in JAF's financial statements.

In addition, JAF has agreements with several charters outside the United States of America. These charters are not controlled by JAF, and consequently, the financial position and results of operations of these charters are not included in JAF's financial statements.

JAF's primary source of income consists of contributions and gifts-in-kind.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of JAF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. These accounts may, at times, exceed federally insured limits. JAF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVENTORY

Inventory consists of two components: premium supplies and books for sale stated at the lower of cost or market, using the weighted average method; and wheelchairs stated at estimated fair market value on the date of the gift plus donated labor used in refurbishment, valued at minimum wage, and donated parts valued at fair market value.

TELEVISION PRODUCTION COSTS

Expenditures for television production costs include those costs that were incurred to produce the Joni and Friends television program. These costs are amortized over the estimated useful life which is three years and are reported net of accumulated amortization of $727,119 and $506,360, as of December 31, 2013 and 2012, respectively, on the statements of financial position.

INVESTMENTS

Investments consist of a money market account, mutual funds, and an annuity contract. The money market account is stated at cost. Mutual funds are stated at fair value based on quoted market prices. Quoted market prices are level 1 inputs and are the most reliable evidence of fair value.

LAND, BUILDING, AND EQUIPMENT

Expenditures for land, building, and equipment greater than $1,000 are capitalized at cost. Donated items are recorded at the fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets.

Estimated useful lives are:

Buildings and improvements	40 years
Furniture and equipment	3-7 years
Automobiles	5 years

CHARITY ADVISED FUNDS

During the year ended December 31, 2013, JAF opened a Charity advised fund with another Foundation. The funds are under the advise of JAF board of directors. At December 31, 2013, the charity advised fund had $625,694 in cash and investments as well as other assets with an approximate fair market value of $1,527,360.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS
The financial statements report amounts by class of net assets:

Unrestricted net assets are currently available at the discretion of the board for use in JAF's operations, those designated by the board for specific purposes, and those resources invested in property and equipment.

Temporarily restricted net assets are stipulated by donors for specific operating purposes or for long-term projects. As of December 31, 2013 and 2012, the temporarily restricted amounts primarily consist of the wheelchair ministry projects, area ministries, and chapter ministries.

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, in accordance with endowment agreements.

SUPPORT, REVENUE, AND EXPENSES
Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to the ministry. JAF records contributions as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. JAF receives non-cash gifts which are recorded as support at the estimated fair market value on the date of the gift.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis

FUNCTIONAL ALLOCATION OF EXPENSES
The costs of providing the various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities.

ALLOCATION OF JOINT COSTS
All costs that contain any fundraising appeal are required to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. Since all three tests were not met, all costs have been allocated to fundraising for the years ended December 31, 2013 and 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts previously reported in the financial statements for the prior year have been reclassified to conform to the current year presentation.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2013 and 2012, Joni and Friends had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. JAF files information tax returns in the U.S. and various states. JAF is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2009.

3. LAND, BUILDING, AND EQUIPMENT:

Land, building, and equipment consist of:

	December 31,	
	2013	2012
Land	$ 3,400,000	$ 3,400,000
Building and improvements	9,026,560	9,026,560
Furniture and equipment	2,056,502	1,815,861
Equipment acquired through capital lease	159,466	65,899
Automobiles	89,341	62,847
	14,731,869	14,371,167
Less accumulated depreciation and amortization	(3,086,430)	(2,579,856)
	11,645,439	11,791,311
Less capital lease secured by equipment	(93,290)	(35,806)
Net investment in land, building, and equipment	$ 11,552,149	$ 11,755,505

Included in furniture and equipment above is equipment acquired under a capital lease. The initial capitalized cost as of December 31, 2013 and 2012, was $159,466 and $65,899 respectively. Included in accumulated depreciation above is accumulated amortization as of December 31, 2013 and 2012, related to the equipment acquired under the capital lease, of $60,062, and $25,627, respectively.

4. CAPITAL LEASE OBLIGATION:

Capital lease obligation related to equipment are as follows:

	December 31, 2013	December 31, 2012
	$ 93,290	$ 35,806
Less current portion	(29,884)	(22,847)
	$ 63,406	$ 12,959

5. LINE OF CREDIT:

JAF has a line of credit up to $2,000,000 with a credit union, secured by real property located in Agoura Hills, California, interest paid monthly at 6.5% expiring August 10, 2016. Interest expense for the years ended December 31, 2013 and 2012, was $0. As of December 31, 2013 and 2012, there was no outstanding balance on the line of credit.

6. NET ASSETS:

Unrestricted net assets consist of:

	December 31, 2013	December 31, 2012
Undesignated	$ 4,932,571	$ 5,992,048
Net investment in land, building, and equipment	11,552,149	11,755,505
	$ 16,484,720	$ 17,747,553

6. NET ASSETS, continued:

Temporarily restricted net assets are available for the following purposes:

	December 31, 2013	December 31, 2012
Wheels for the World	$ 5,047,811	$ 4,528,345
Chapter ministries	317,436	275,129
Riverside Foundation	186,667	-
Christian Fund for the Disabled	-	9,719
Endowment income	54,233	50,280
Other	183,110	156,243
	$ 5,789,257	$ 5,019,716

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support.

	December 31, 2013	December 31, 2012
Cash reserved for endowment	$ 500,000	$ -
Operations	233,500	233,500
	$ 733,500	$ 233,500

In 2013, JAF received a donation of $500,000 to set up a permanently restricted endowment fund. The principal in the endowment is to remain in perpetuity with the income expendable for support. As the endowment had not been created as of December 31, 2013, the disclosures required by the Reporting Endowment Funds topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) have not been included in these financial statements. The other permanently restricted net assets for operations are immaterial to disclose the requirements of the Reporting Endowment Funds topic of the FASB.

7. CONTRIBUTED AIRTIME, WHEELCHAIRS, SERVICES, AND MATERIALS:

The financial statements give monetary recognition to contributions of radio time received from various radio stations across the country. As of December 31, 2013 and 2012, contributed airtime is valued at $8.70 for each time the program is broadcast.

The financial statements also include the value of used wheelchairs donated to JAF to be refurbished and provided as needed to people and organizations in other countries. During the years ended December 31, 2013 and 2012, wheelchair values were assigned based on the type and condition of each wheelchair.

Contributed services consist of the value of the labor involved in refurbishing the wheelchairs. The contributed materials included in the financial statements consist of equipment and supplies donated to JAF.

The value of contributed airtime, wheelchairs, services, and materials is:

	December 31, 2013	December 31, 2012
Contributed radio airtime	$ 5,408,964	$ 5,328,002
Contributed wheelchairs	3,756,311	3,330,061
Contributed services	965,914	945,934
Contributed materials	131,335	200,841
	$ 10,262,524	$ 9,804,838

The above airtime, wheelchairs, service, and materials expenses are included in program services on the statements of activities. The revenue is shown as contributed airtime, wheelchairs, services, and materials on the statements of activities.

8. RETIREMENT PLAN:

JAF has a 403(b) Employee Savings Plan, covering substantially all employees over 18 years of age effective upon employment. After three years of employment, employees receive up to a maximum 5% salary increase, which can be used as additional compensation or as a contributions to their 403(b) Employee Savings Plan account. Employees were able to make a maximum tax-deferred contribution of $17,500 for the year ended December 31, 2013. For the years ended December 31, 2013 and 2012, JAF made contributions in the amount of $206,269 and $202,949, respectively.

9. LEASES:

JAF has entered into various noncancelable operating lease agreements for office space, storage, and equipment use. The office space leases have cumulative monthly payments of $18,937 and the storage and equipment leases have cumulative monthly payments of $10,786. The future minimum payments are:

Year Ending December 31,	
2014	$ 292,742
2015	246,463
2016	144,064
2017	46,352
2018	19,534
	$ 749,155

Lease expense under cancelable and noncancelable lease agreements for the years ended December 31, 2013 and 2012, was $380,139 and $385,136, respectively.

10. RELATED PARTY TRANSACTIONS:

JAF has an investment account with a brokerage firm whose president is a board member. For the years ended December 31, 2013 and 2012, no commissions were paid to the brokerage firm.

JAF receives gifts for various international charters for which JAF acts as an agent, transferring the funds to the charters on behalf of the donor. During the years ended December 31, 2013 and 2012, $63,000 and $530,010 was received on behalf of, and distributed to, the charters, respectively.

11. SUBSEQUENT EVENT:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.