

JONI AND FRIENDS

Financial Statements
With Independent Auditors' Report

December 31, 2014 and 2013

JONI AND FRIENDS

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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, 2014 and 2013, 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, 2014 and 2013, 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 5, 2015

JONI AND FRIENDS

Statements of Financial Position

	December 31,	
	2014	2013
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 9,435,660	\$ 7,811,555
Prepaid expenses and other assets	519,301	157,249
Inventory-wheelchairs	2,402,433	3,380,083
Inventory-books and materials	68,977	100,716
	12,426,371	11,449,603
Non-current assets:		
Cash reserved for endowment	-	500,000
Television production costs - at cost, net	95,592	256,913
Endowment investments	752,033	244,825
Land, building, and equipment - at cost, net	11,726,588	11,645,439
	12,574,213	12,647,177
Total Assets	\$ 25,000,584	\$ 24,096,780
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 517,418	\$ 392,995
Accrued expenses	596,995	603,018
Capital lease - current portion	17,986	29,884
	1,132,399	1,025,897
Capital lease - non-current portion	38,346	63,406
	1,170,745	1,089,303
Net assets:		
Unrestricted	16,259,150	16,484,720
Temporarily restricted	6,837,189	5,789,257
Permanently restricted	733,500	733,500
	23,829,839	23,007,477
Total Liabilities and Net Assets	\$ 25,000,584	\$ 24,096,780

See notes to financial statements

JONI AND FRIENDS

Statements of Activities

	Year Ended December 31,							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:								
Contributions	\$ 8,023,829	\$ 9,741,986	\$ -	\$ 17,765,815	\$ 4,919,248	\$ 9,360,116	\$ 500,000	\$ 14,779,364
Sales of books and materials	493,050	-	-	493,050	623,786	-	-	623,786
Tuition and registration	2,261,678	-	-	2,261,678	2,109,373	-	-	2,109,373
Other income	67,636	-	-	67,636	72,721	-	-	72,721
Contributed airtime, wheelchairs services and materials	10,190,617	-	-	10,190,617	10,262,524	-	-	10,262,524
Net assets released from restrictions:								
Satisfaction of wheelchair ministry and other project restrictions	8,694,054	(8,694,054)	-	-	8,590,575	(8,590,575)	-	-
Total Support, Revenue, and Reclassifications	29,730,864	1,047,932	-	30,778,796	26,578,227	769,541	500,000	27,847,768
EXPENSES:								
Program services	25,420,110	-	-	25,420,110	23,843,185	-	-	23,843,185
Supporting activities:								
General and administrative	1,679,717	-	-	1,679,717	1,525,996	-	-	1,525,996
Fundraising	2,856,607	-	-	2,856,607	2,471,879	-	-	2,471,879
	4,536,324	-	-	4,536,324	3,997,875	-	-	3,997,875
Total Expenses	29,956,434	-	-	29,956,434	27,841,060	-	-	27,841,060
Change in Net Assets	(225,570)	1,047,932	-	822,362	(1,262,833)	769,541	500,000	6,708
Net Assets, Beginning of Year	16,484,720	5,789,257	733,500	23,007,477	17,747,553	5,019,716	233,500	23,000,769
Net Assets, End of Year	<u>\$ 16,259,150</u>	<u>\$ 6,837,189</u>	<u>\$ 733,500</u>	<u>\$ 23,829,839</u>	<u>\$ 16,484,720</u>	<u>\$ 5,789,257</u>	<u>\$ 733,500</u>	<u>\$ 23,007,477</u>

See notes to financial statements

JONI AND FRIENDS

Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 822,362	\$ 6,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	477,172	506,576
Amortization	161,321	220,759
Loss on disposal of property, plant and equipment	-	15,643
Unrealized loss on investments	9,026	13,696
Net investment income	(16,234)	(2,162)
Cash reserved for endowment	500,000	(500,000)
Gifts-in-kind contributions	(10,190,617)	(10,262,524)
Gifts-in-kind used in operations	11,168,267	10,258,331
Net change in:		
Prepaid expenses and other assets	(362,052)	16,790
Inventory-books and materials	31,739	61,580
Accounts payable	124,423	32,406
Accrued expenses	(6,023)	42,605
Net Cash Provided by Operating Activities	2,719,384	410,408
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(797,103)	-
Capital expenditures	(558,321)	(282,780)
Expenditures for television production	-	(114,173)
Proceeds from sale of stock	297,103	-
Net Cash Used in Investing Activities	(1,058,321)	(396,953)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease	(36,958)	(36,083)
Net Cash Used in Financing Activities	(36,958)	(36,083)
Change in Cash and Cash Equivalents	1,624,105	(22,628)
Cash and Cash Equivalents, Beginning of Year	7,811,555	7,834,183
Cash and Cash Equivalents, End of Year	\$ 9,435,660	\$ 7,811,555

See notes to financial statements

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

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.

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

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. Donated parts are valued at fair market value. Donated labor used in refurbishment is expensed at minimum wage.

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 \$888,440 and \$727,119, as of December 31, 2014 and 2013, respectively, on the statements of financial position.

INVESTMENTS

Investments consist primarily 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 advice of JAF board of directors. At December 31, 2014 and 2013, the charity advised fund had \$411,782 and \$625,694 in cash and investments as well as other assets with an approximate fair market value of \$2,733,865 and \$1,527,360.

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

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 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, 2014 and 2013, 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 of accounting.

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 that contain a fundraising appeal have been allocated to fundraising for the years ended December 31, 2014 and 2013.

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

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.

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, 2014 and 2013, 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 subject to income tax examinations for the current year and certain prior years based on applicable laws and regulations.

3. ENDOWMENT INVESTMENTS:

Endowment investments consist of:

	December 31,	
	2014	2013
Money markets	\$ 12,224	\$ 64,323
Mutual funds	-	180,502
Equities	150,781	-
Fixed income	339,028	-
Annuity	250,000	-
	<u>\$ 752,033</u>	<u>\$ 244,825</u>

Endowment investment income consists of:

	December 31,	
	2014	2013
Unrealized gains (loss)	\$ (9,026)	\$ (13,696)
Interest and dividends	16,234	2,162
	<u>\$ 7,208</u>	<u>\$ (11,534)</u>

Investment fees were \$4,996 and \$1,709 for the years ended December 31, 2014 and 2013, respectively.

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

4. FAIR VALUE MEASUREMENTS:

JAF uses appropriate valuation techniques to determine fair value based on inputs available. When available, JAF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. At December 31, 2014 and 2013, all investments were measured at Level 1 using quoted prices in active markets with the exception of money markets and the annuity which are stated at cost.

5. LAND, BUILDING, AND EQUIPMENT:

Land, building, and equipment consist of:

	December 31,	
	2014	2013
Land	\$ 3,400,000	\$ 3,400,000
Building and improvements	9,026,560	9,026,560
Furniture and equipment	2,708,390	2,056,502
Equipment acquired through capital lease	65,899	159,466
Automobiles	89,341	89,341
	<u>15,290,190</u>	<u>14,731,869</u>
Less accumulated depreciation and amortization	<u>(3,563,602)</u>	<u>(3,086,430)</u>
	11,726,588	11,645,439
Less capital lease secured by equipment	<u>(56,332)</u>	<u>(93,290)</u>
	<u>\$ 11,670,256</u>	<u>\$ 11,552,149</u>

Included in furniture and equipment above is equipment acquired under a capital lease. The initial capitalized cost as of December 31, 2014 and 2013, was \$159,466. Included in accumulated depreciation above is accumulated amortization as of December 31, 2014 and 2013, related to the equipment acquired under the capital lease, of \$103,338, and \$60,062, respectively.

6. 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, 2014 and 2013, was \$0. As of December 31, 2014 and 2013, there was no outstanding balance on the line of credit.

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

7. CAPITAL LEASE OBLIGATION:

Capital lease obligation related to equipment are as follows:

	December 31,	
	2014	2013
	\$ 56,332	\$ 93,290
Less current portion	(17,986)	(29,884)
	\$ 38,346	\$ 63,406

8. NET ASSETS:

Unrestricted net assets consist of:

	December 31,	
	2014	2013
Undesignated	\$ 4,588,894	\$ 4,932,571
Net investment in land, building, and equipment	11,670,256	11,552,149
	\$ 16,259,150	\$16,484,720

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2014	2013
Wheels for the World	\$ 5,657,301	\$ 5,047,811
Chapter ministries	392,657	317,436
Family retreat	471,151	-
Riverside Foundation	-	186,667
Christian Fund for the Disabled	25,525	-
Endowment income	61,441	54,233
Other	229,114	183,110
	\$ 6,837,189	\$ 5,789,257

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

8. NET ASSETS, continued:

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

	December 31,	
	2014	2013
Riverside Foundation	\$ 500,000	\$ 500,000
Operations	233,500	233,500
	<u>\$ 733,500</u>	<u>\$ 733,500</u>

In 2013, JAF received a donation of \$500,000 to establish a permanently restricted endowment fund. The principal in the endowment is to remain in perpetuity with the income expendable for operational support. In 2014, the endowment was created and the cash was invested in the fund. In aggregate, permanently restricted net assets are considered immaterial to disclose the requirements of the Reporting Endowment Funds topic of the FASB.

9. 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, 2014 and 2013, 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, 2014 and 2013, 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,	
	2014	2013
Contributed radio airtime	\$ 5,302,163	\$ 5,408,964
Contributed wheelchairs	3,616,092	3,756,311
Contributed services	1,131,203	965,914
Contributed materials	141,159	131,335
	<u>\$ 10,190,617</u>	<u>\$ 10,262,524</u>

JONI AND FRIENDS

Notes to Financial Statements

December 31, 2014 and 2013

9. CONTRIBUTED AIRTIME, WHEELCHAIRS, SERVICES, AND MATERIALS, continued:

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.

10. 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 contribution 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, 2014. For the years ended December 31, 2014 and 2013, JAF made contributions in the amount of \$188,496 and \$206,269, respectively.

11. 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 \$24,888 and the storage and equipment leases have cumulative monthly payments of \$18,859. The leases expire in 2018. The future minimum payments are:

<u>Year Ending December 31,</u>	
2015	\$ 231,968
2016	195,202
2017	135,023
2018	<u>51,023</u>
	<u>\$ 613,216</u>

Lease expense under cancelable and noncancelable lease agreements for the years ended December 31, 2014 and 2013, was \$345,892 and \$380,139, respectively.

12. RELATED PARTY TRANSACTIONS:

JAF has an investment account with a brokerage firm whose president is a board member. For the years ended December 31, 2014 and 2013, 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, 2014 and 2013, \$33,522 and \$63,000 was received on behalf of, and distributed to, the charters, respectively.

13. 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.