

JONI AND FRIENDS

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

JONI AND FRIENDS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
Supplementary Data	
Independent Auditors' Report on Supplementary Data	27
Consolidating Statements of Financial Position	28
Consolidating Statements of Activities	30

INDEPENDENT AUDITORS' REPORT

Board of Directors
Joni and Friends
Agoura Hills, California

We have audited the accompanying consolidated financial statements of Joni and Friends, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Joni and Friends as of December 31, 2019 and 2018, 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.

Emphasis of Matter

Joni and Friends has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update ASU No. 2014-09, *Revenue from Contracts with Customers*, as described in Note 2. This has not had a material effect on the presentation of the December 31, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Tarzana, California
April 28, 2020

JONI AND FRIENDS

Consolidated Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 9,323,543	\$ 8,611,872
Prepaid expenses and other assets	363,821	373,123
Land and condominium held for sale	785,000	1,174,700
Inventory—wheelchairs	4,167,409	3,462,354
Inventory—books and materials	168,708	134,976
	14,808,481	13,757,025
Non-current assets:		
Cash reserved for area ministries	350,000	400,000
Cash reserved for endowment	137,607	117,607
Endowment investments	4,490,298	4,411,323
Intellectual property, net of amortization	477,611	511,944
Land, building, and equipment—at cost, net	22,868,974	20,700,138
	28,324,490	26,141,012
Total Assets	\$ 43,132,971	\$ 39,898,037
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 1,080,234	\$ 651,153
Accrued expenses	1,292,472	1,347,412
Long-term debt - current portion	248,515	310,688
	2,621,221	2,309,253
Long-term debt - net of current portion	6,836,417	6,019,197
	9,457,638	8,328,450
Net assets:		
Net assets without donor restrictions	21,915,152	20,312,567
Net assets with donor restrictions	11,760,181	11,257,020
	33,675,333	31,569,587
Total Liabilities and Net Assets	\$ 43,132,971	\$ 39,898,037

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 9,970,930	\$ 14,162,934	\$ 24,133,864	\$ 10,436,590	\$ 10,357,547	\$ 20,794,137
Sales of books and materials	533,247	-	533,247	489,739	-	489,739
Tuition and registration	2,878,534	-	2,878,534	2,622,744	-	2,622,744
Donated stock	320,959	-	320,959	291,638	-	291,638
Oil royalty income	519,770	-	519,770	612,672	-	612,672
Royalty partnership income (oil and gas)	200,990	-	200,990	281,402	-	281,402
Investment income	489,696	234,591	724,287	968,806	840,780	1,809,586
Unrealized loss on property held for sale	(389,700)	-	(389,700)	-	-	-
Other income	7,791	-	7,791	23,710	-	23,710
Contributed airtime, wheelchairs, services and materials	20,830,289	-	20,830,289	17,335,295	-	17,335,295
Net assets released from restrictions:						
Satisfaction of wheelchair ministry and other project restrictions	13,894,364	(13,894,364)	-	10,199,492	(10,199,492)	-
Total Support, Revenue, and Reclassifications	49,256,870	503,161	49,760,031	43,262,088	998,835	44,260,923

(continued)

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Activities

(continued)

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	40,167,233	-	40,167,233	35,657,939	-	35,657,939
Supporting activities:						
General and administrative	3,422,816	-	3,422,816	3,260,497	-	3,260,497
Fundraising	4,064,236	-	4,064,236	3,752,873	-	3,752,873
	7,487,052	-	7,487,052	7,013,370	-	7,013,370
Total Expenses	47,654,285	-	47,654,285	42,671,309	-	42,671,309
Change in Net Assets	1,602,585	503,161	2,105,746	590,779	998,835	1,589,614
Net Assets, Beginning of Year	20,312,567	11,257,020	31,569,587	19,721,788	10,258,185	29,979,973
Net Assets, End of Year	\$ 21,915,152	\$ 11,760,181	\$ 33,675,333	\$ 20,312,567	\$ 11,257,020	\$ 31,569,587

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,105,746	\$ 1,589,614
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	795,904	834,224
Amortization	34,333	4,163
Gain on sale of condominium	-	(23,500)
Unrealized gain on investments	(54,027)	(1,261,617)
Net investment income	(24,948)	(23,104)
Gifts-in-kind contributions	(20,830,289)	(17,335,295)
Gifts-in-kind used in operations	20,125,234	17,373,872
Unrealized loss on real property held for sale	389,700	-
Net change in:		
Prepaid expenses and other assets	9,302	(108,340)
Inventory—books and materials	(33,732)	(13,180)
Accounts payable	429,081	412,710
Accrued expenses	(54,940)	113,956
Net Cash Provided by Operating Activities	2,891,364	1,563,503
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of condominium	-	99,900
Purchase of intellectual property	-	(150,000)
Capital expenditures	(2,962,855)	(4,803,496)
Net Cash Used in Investing Activities	(2,962,855)	(4,853,596)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease	-	(9,553)
Payments on long-term debt	(154,811)	(109,642)
Cash paid for loan fees	-	(26,580)
Payment on intellectual property	(92,027)	-
Proceeds from notes payable	1,000,000	-
Net Cash Provided by (Used in) Financing Activities	753,162	(145,775)
Change in Cash and Cash Equivalents	681,671	(3,435,868)
Cash and Cash Equivalents, Beginning of Year	9,129,479	12,565,347
Cash and Cash Equivalents, End of Year	\$ 9,811,150	\$ 9,129,479

(continued)

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Cash Flows

(continued)

	Year Ended December 31,	
	2019	2018
SUMMARY OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 9,323,543	\$ 8,611,872
Cash reserved for area ministries	350,000	400,000
Cash reserved for endowment	137,607	117,607
	<u>\$ 9,811,150</u>	<u>\$ 9,129,479</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 253,512</u>	<u>\$ 173,268</u>
Assets acquired with debt	<u>\$ -</u>	<u>\$ 6,100,000</u>
Intellectual property acquired with debt	<u>\$ -</u>	<u>\$ 365,000</u>
Fixed assets fully depreciated at disposal	<u>\$ -</u>	<u>\$ 2,837,452</u>

See notes to consolidated financial statements

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

1. NATURE OF ORGANIZATION:

Joni and Friends (JAF or the Organization) 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) and comparable state laws. However, the Organization is subject to federal income tax on any unrelated business taxable income. In addition, the Organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

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 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 area ministry offices located in the United States of America. These offices are controlled by JAF, and consequently, the financial position and results of operations of all offices are included in JAF's consolidated financial statements.

On December 31, 2014, the Joni and Friends Foundation (JAFF or the Foundation), a 501 (c) (3) supporting organization, was created with the sole purpose of supporting Joni and Friends, the parent organization. Contributions to the Foundation are exempt from federal income taxes under Section 170 (c)(2) of the Internal Revenue Code. JAFF was created to receive, manage, and distribute complex assets, manage the Joni and Friends endowment fund, and assume other actions assisting the work of Joni and Friends as are consistent with Joni and Friends' purposes. Joni and Friends has an economic interest in the Foundation through endowment agreements created to ultimately benefit Joni and Friends. Joni and Friends also has a controlling interest in the Foundation as Joni and Friends controls the Foundation's board. As a result, the financial statements of the Foundation have been consolidated with those of Joni and Friends.

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

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of Joni and Friends include the financial statements of Joni and Friends and the Joni and Friends Foundation. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All material transactions and balances between JAF and JAFF have been eliminated in the consolidated financial statements. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

For the consolidated statements of financial position and consolidated cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. Cash on deposit may, at times, exceed federally insured limits. At December 31, 2019 and 2018, JAF's cash balances exceeded federally insured limits by approximately \$5,735,000 and \$6,098,000, respectively.

INVENTORY

Inventory consists of two components: premium supplies and books for sale stated at the lower of cost or net realizable value, using the weighted average method; and wheelchairs stated at estimated fair value on the date of the gift. Donated parts are valued at fair value. Donated labor used in refurbishment is expensed at estimated fair value of the donated labor.

LAND AND CONDOMINIUM HELD FOR SALE

During the year ended December 31, 2016, JAFF received a contribution of a tract of land with various utilities including water and sewer. An independent appraiser valued the land at \$1,174,700. The land was sold in February 2020 for approximately \$785,000. Because the sale of the land was so close to JAFF's fiscal year-end, and because there was no event between December 31, 2019 and the date of sale that impaired the land value, JAFF recorded a write-down of the land at December 31, 2019.

INVESTMENTS

Investments in equity securities with readily determinable fair values are recorded at fair value with gains and losses reported in the consolidated statements of activities. Donated investments are recorded at fair value at the date of donation and are thereafter carried at fair value.

The Foundation's alternative investments include a 33% interest in real property (including mineral rights) and a 28.125% interest in a royalty stream. These investments are reported at estimated fair value. At December 31, 2019 and 2018, JAFF received independent valuations of the investments by a qualified appraiser, utilizing the current income method and a capitalization rate of 20% and 16%, respectively (see Note 5). See also Note 15, for discussion of subsequent events related to investments.

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risks associated with certain investments, it is reasonably possible that changes in the value of those investments will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 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

NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Net assets without donor restrictions are currently available at the discretion of the board for use in JAF's operations, and those resources invested in a board designated endowment fund, and land, building and equipment.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or for long-term projects. As of December 31, 2019 and 2018, the net assets with donor restrictions consist primarily of the wheelchair ministry projects, area ministries, chapter ministries, endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available for net assets without donor restriction when appropriated for expenditure, and unappropriated endowment income.

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 being with donor restrictions 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 net assets with donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. JAF receives non-cash gifts which are recorded as support at the estimated fair 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.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 (Note 11).

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, 2019 and 2018.

USE OF ESTIMATES

The preparation of consolidated 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.

ADOPTION OF NEW ACCOUNTING STANDARDS

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The Organization adopted the provisions of this new standard during the year ended December 31, 2019. In addition to changes in methodology for revenue recognition, the standard eliminates the transaction and industry specific revenue recognition guidance under current GAAP and replaces it with a principle based approach for determining revenue recognition. This standard did not have a material impact on the presentation of the December 31, 2019 financial statements.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

3. LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position.

	December 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 9,323,543	\$ 8,611,872
Cash reserved for area ministries	350,000	400,000
Cash reserved for endowment	137,607	117,607
Endowment investments	4,490,298	4,411,323
Financial Assets, at year-end	14,301,448	13,540,802
Less those not available for general expenditure within one year:		
Cash reserved for area ministries	(350,000)	(400,000)
Cash reserved for endowment	(137,607)	(117,607)
Investments not available for expenditure	(3,030,659)	(2,796,068)
Board designated investments for endowment funds	(1,459,639)	(1,615,255)
Donor restricted net assets	(6,055,640)	(5,757,070)
Minimum liquid asset balance required under debt agreement	(5,000,000)	(5,000,000)
Financial assets not available for general expenditure within one year	(16,033,545)	(15,686,000)
Financial assets available for general expenditure within one year	\$ (1,732,097)	\$ (2,145,198)

JAF has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2019 and 2018, because the restrictions are expected to be met by conducting the normal activities of JAF in the coming year. Net assets designated by the board for programs could become available with board approval for general expenditure within one year, as they have been approved to be used for that purpose during the year ending December 31, 2020.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

4. ENDOWMENT INVESTMENTS:

Endowment investments consist of:

	December 31,	
	<u>2019</u>	<u>2018</u>
Endowment investments:		
Cash and money markets	\$ 286,700	\$ 10,862
Mutual funds	221,672	198,062
Exchange traded funds	145,111	391,204
Annuities	794,790	745,032
Investment in royalty stream (oil and gas)	1,225,470	1,484,199
Investment in real property	<u>1,816,555</u>	<u>1,581,964</u>
	<u>\$ 4,490,298</u>	<u>\$ 4,411,323</u>

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS:

JAF uses appropriate valuation techniques to determine fair value based on inputs available. Level 1 investments are determined by observable inputs that reflect quoted market prices in active markets. Level 2 inputs are based on (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 3 investments are based on unobservable inputs and are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets measured on a recurring basis on December 31, 2019, are as follows:

	<u>Total</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Endowment investments:				
Mutual funds	\$ 221,672	\$ 221,672	\$ -	\$ -
Exchange traded funds	145,111	145,111	-	-
Annuities	794,790	-	794,790	-
Investment in royalty stream (oil and gas)	1,225,470	-	-	1,225,470
Real property	<u>1,816,555</u>	<u>-</u>	<u>-</u>	<u>1,816,555</u>
Endowment investments at fair value	4,203,598	<u>\$ 366,783</u>	<u>\$ 794,790</u>	<u>\$ 3,042,025</u>
Investments at other than fair value:				
Cash and money markets	<u>286,700</u>			
Total endowment investments	<u>\$ 4,490,298</u>			

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis on December 31, 2018, are as follows:

	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments:				
Mutual funds	\$ 198,062	\$ 198,062	\$ -	\$ -
Exchange traded funds	391,204	391,204	-	-
Annuities	745,032	-	745,032	-
Investment in royalty stream (oil and gas)	1,484,199	-	-	1,484,199
Real property	1,581,964	-	-	1,581,964
Endowment investments at fair value	4,400,461	\$ 589,266	\$ 745,032	\$ 3,066,163
Investments at other than fair value:				
Cash and money markets	10,862			
Total endowment investments	\$ 4,411,323			

The fair value for mutual funds and exchange traded funds is determined by reference to quoted prices for investments in public equity markets in the United States.

The fair value of annuities is determined by an index crediting strategy that credits interest annually based on the percentage change of the S&P 500. The index credit percentage is guaranteed to never exceed an annual cap declared annually and will never be less than zero. The minimum guaranteed rate is 1% and the maximum rate is 3.4%.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS, continued:

The following table sets forth a reconciliation of beginning and ending balances for financial instruments designated as Level 3:

	Investment in Royalty Stream	Real Property	Total
Balance, December 31, 2017	\$ 1,033,562	\$ 741,184	\$ 1,774,746
Net gains (realized and unrealized)	450,637	840,780	1,291,417
Balance, December 31, 2018	1,484,199	1,581,964	3,066,163
Net gains (losses) (realized and unrealized)	(258,729)	234,591	(24,138)
Balance, December 31, 2019	\$ 1,225,470	\$ 1,816,555	\$ 3,042,025

6. LAND, BUILDING, AND EQUIPMENT:

Land, building, and equipment consist of:

	December 31,	
	2019	2018
Land	\$ 4,224,000	\$ 4,224,000
Building and improvements	21,646,279	19,039,549
Furniture and equipment	1,881,709	1,499,459
	27,751,988	24,763,008
Less accumulated depreciation and amortization	(4,883,014)	(4,062,870)
	\$ 22,868,974	\$ 20,700,138

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

7. LONG-TERM DEBT:

Long-term debt consists of:

	December 31,	
	2019	2018
<p>Note payable to a bank, secured by real property, bearing interest at an initial rate of 3.74% through February 29, 2020, at which time the rate resets to the greater of 2.5% or the bank's prime rate minus 1.0%. Monthly principal and interest payments equal to \$31,513 through March 1, 2020, at which time the required monthly payment will be equal to the remaining principal balance divided by 300, plus interest. Balance is due March 1, 2023.</p>	\$ 5,835,547	\$ 5,990,358
<p>Unsecured non-interest bearing note payable to founder. Interest imputed at 3.77%. Principal and interest payments of \$100,000 paid annually, due 2022.</p>	273,750	365,000
<p>Unsecured note payable to a trust, one trustee of which is a director of JAF, bearing interest at a rate of 3% annually. Principal amounts and all accrued interest to be paid in full on maturity date of July 31, 2029.</p>	1,000,000	-
	7,109,297	6,355,358
<p>Less current portion</p>	(248,515)	(310,688)
<p>Less prepaid loan costs, net of amortization</p>	(24,365)	(25,473)
	\$ 6,836,417	\$ 6,019,197

The future minimum payments are:

<u>Year Ending December 31,</u>	
2020	\$ 248,515
2021	258,646
2022	268,583
2023	5,333,553
2024	-
Thereafter	1,000,000
	\$ 7,109,297

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

7. LONG-TERM DEBT, continued:

LOAN COVENANTS

In conjunction with the loan, JAF is required to comply with certain financial and reporting covenants, including maintaining liquid assets of not less than \$5,000,000 which is to be deposited in an account with the bank. As of December 31, 2019, JAF was in compliance with or had received waivers for the covenants.

8. NET ASSETS:

Net assets without donor restrictions consists of:

	December 31,	
	2019	2018
Undesignated	\$ 15,455,513	\$ 13,697,312
Board designated investments for endowment fund	1,459,639	1,615,255
Minimum liquid assets required under loan agreement	5,000,000	5,000,000
	<u>\$ 21,915,152</u>	<u>\$ 20,312,567</u>

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2019	2018
Wheels for the World	\$ 7,303,574	\$ 7,231,551
Area ministries	1,176,394	982,695
Christian Fund for the Disabled	68,316	67,658
Family Retreat	43,631	-
Unappropriated endowment income	1,524,043	1,289,452
Donor restricted funds held in perpetuity	1,446,909	1,426,909
Other	197,314	258,755
	<u>\$ 11,760,181</u>	<u>\$ 11,257,020</u>

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

9. ENDOWMENTS:

In August 2008, the Financial Accounting Standards Board issued a FASB Staff Position (now included in the FASB Accounting Standards Codification in sub-topic 958-205), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. In the Staff Position, FASB provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Also required are additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The State of California enacted UPMIFA effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date.

Joni and Friends has adopted the net asset classification provisions for the years ending December 31, 2019 and 2018. The board has determined that certain of Joni and Friend's net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

Joni and Friend's endowment includes both donor-restricted endowment funds established to fund ministry operations and funds designated by the board to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of Joni and Friends has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JAF classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

9. ENDOWMENTS, continued:

In accordance with SPMIFA, JAF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of JAF and the specific donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of JAF
- The investment policies of JAF

The following table presents the endowment composition and net asset classifications as of December 31, 2019.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment	\$ -	\$ 3,168,266	\$ 3,168,266
Board designated endowment	1,459,639	-	1,459,639
	<u>\$ 1,459,639</u>	<u>\$ 3,168,266</u>	<u>\$ 4,627,905</u>

Endowment composition and net asset classifications as of December 31, 2018.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment	\$ -	\$ 2,913,675	\$ 2,913,675
Board designated endowment	1,615,255	-	1,615,255
	<u>\$ 1,615,255</u>	<u>\$ 2,913,675</u>	<u>\$ 4,528,930</u>

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

9. ENDOWMENTS, continued:

Changes in Endowment Net Assets for the Fiscal Year December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,615,255	\$ 2,913,675	\$ 4,528,930
Investment return:			
Net gains (losses)			
(realized and unrealized)	(155,616)	234,591	78,975
	(155,616)	234,591	78,975
Contributions	-	20,000	20,000
Endowment net assets, end of year	\$ 1,459,639	\$ 3,168,266	\$ 4,627,905

Changes in Endowment Net Assets for the Fiscal Year December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,171,314	\$ 2,047,895	\$ 3,219,209
Investment return:			
Net gains			
(realized and unrealized)	443,941	840,780	1,284,721
	443,941	840,780	1,284,721
Contributions	-	25,000	25,000
Endowment net assets, end of year	\$ 1,615,255	\$ 2,913,675	\$ 4,528,930

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

9. ENDOWMENTS, continued:

RETURN OBJECTIVES AND RISK PARAMETERS

JAF, through the Foundation, has adopted investment and spending policies for donor-restricted endowment assets that attempt to provide funding for long-term needs in accordance with the Joni and Friends Foundation Investment Policy. Under these policies, the endowment assets are invested in a manner consistent with Christian principles and values, and consistent with the convictions of Joni and Friends. The primary goal is cash preservation, and the secondary goal is to achieve intermediate and long-term investment goals. The board's strategy is to minimize risk in the financial performance of the endowment fund.

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires JAF to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, JAF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JAF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

The consolidated financial statements give monetary recognition to contributions of radio time received from various radio stations across the country. As of December 31, 2019 and 2018, contributed airtime is valued at \$8.80 for each time the program is broadcast.

The consolidated 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, 2019 and 2018, 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 consolidated financial statements consist of equipment and supplies donated to JAF.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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

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

	Year Ended December 31,	
	2019	2018
Contributed radio airtime	\$ 5,925,902	\$ 5,517,794
Contributed wheelchairs	7,667,891	5,276,363
Contributed services	7,109,763	6,428,705
Contributed materials	126,733	112,433
	\$ 20,830,289	\$ 17,335,295

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

11. FUNCTIONAL ALLOCATION OF EXPENSES:

The information below presents expenses by both their nature and their function:

	Year ended December 31, 2019,			
	Program Services	General and Administrative	Fundraising	Total
Gifts-in-kind	\$ 20,360,035	\$ -	\$ -	\$ 20,360,035
Personnel costs	9,840,396	1,705,666	1,574,462	13,120,524
Family retreat facility	2,272,601	-	-	2,272,601
Travel	1,541,318	15,333	55,588	1,612,239
Grant expense	553,739	37,863	-	591,602
Events and conferences	626,772	5,030	419,223	1,051,025
Postage and freight	585,591	30,081	421,137	1,036,809
Consultants	513,515	71,815	320,720	906,050
Depreciation and amortization	456,162	191,017	183,058	830,237
Printing and production	202,017	8,105	548,289	758,411
Rent	409,351	45,483	-	454,834
Licenses, assessments	-	503,988	-	503,988
Professional and bank	-	112,723	-	112,723
Office, insurance	1,247,768	673,155	147,121	2,068,044
Other	1,557,968	22,557	394,638	1,975,163
	\$ 40,167,233	\$ 3,422,816	\$ 4,064,236	\$ 47,654,285

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

11. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

The information below presents the natural classification of expenses for the year ended December 31, 2018:

	Year ended December 31, 2018,			
	Program	Administrative	Fundraising	Total
Gifts-in-kind	\$ 17,578,680	\$ -	\$ -	\$ 17,578,680
Personnel costs	9,045,610	1,589,094	1,589,094	12,223,798
Family retreat facility	2,163,477	-	-	2,163,477
Banquets and reception	774,817	-	-	774,817
Travel	1,463,312	13,435	52,453	1,529,200
Grant expense	449,205	30,715	-	479,920
Depreciation and amortization	667,379	166,845	-	834,224
Consultants	618,800	69,457	169,783	858,040
Postage/freight	465,067	29,652	415,121	909,840
Printing and production	165,127	4,767	450,206	620,100
Licenses, assessments	379,035	-	-	379,035
Professional and bank	-	304,207	-	304,207
Office, insurance	1,064,364	126,639	92,423	1,283,426
Other	823,066	925,686	983,793	2,732,545
	\$ 35,657,939	\$ 3,260,497	\$ 3,752,873	\$ 42,671,309

METHODS USED FOR ALLOCATION OF EXPENSE:

The financial statements report certain categories of expenses that are attributable to more than program or one supporting function therefore these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, rent, and office and insurance, which are allocated on a square footage basis, as well as personnel costs, travel, events and conferences, and postage and printing, which are allocated on the basis of estimates of time and department. There are no joint costs that have been allocated among program, general and administrative, and fundraising.

12. 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 \$18,000 for the year ended December 31, 2019. For the years ended December 31, 2019 and 2018, JAF made contributions in the amount of approximately \$250,000 and \$293,000, respectively.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

13. 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 \$34,242 and the storage and equipment leases have cumulative monthly payments of \$7,391. The leases expire at various times through 2023. The future minimum payments are:

<u>Year Ending December 31,</u>	
2020	\$ 387,874
2021	262,201
2022	186,391
2023	<u>65,790</u>
	<u>\$ 902,256</u>

Lease expense under cancelable and noncancelable lease agreements for the years ended December 31, 2019 and 2018, was approximately \$579,000 and \$517,000, respectively.

14. RELATED PARTY TRANSACTIONS:

The Foundation has an investment account with a brokerage firm whose President & Co-Founder is a board member of JAF. For the years ended December 31, 2019 and 2018, commissions paid to the brokerage firm were \$6,225 and \$6,217 respectively.

During the year ended December 31, 2018, JAF acquired certain intellectual property, including literary works, art works, and other intellectual property, from the Organization's founder. JAF paid \$100,000 and \$150,000 during the years ended December 31, 2019 and 2018, respectively, and is committed to make three more annual payments of \$100,000 each in 2020, 2021 and 2022.

During the years ended December 31, 2019 and 2018, the board of directors, as a group, contributed approximately \$1,056,000 and \$2,100,000 to JAF, respectively.

JAFF holds an unsecured note payable to a trust, one trustee of which is a director of JAF, bearing interest at a rate of 3% annually. See Note 7.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

15. SUBSEQUENT EVENTS:

Subsequent to the year ended December 31, 2019, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy, and has contributed to significant declines and volatility in financial markets. Due to COVID-19's impact on the economy, there is a possibility JAF will suffer decreased revenue and/or declines in the value of its investments throughout the year ended December 31, 2020. The impact of such negative consequences, if they occur at all, cannot be estimated. On April 24, JAF received a \$2,652,985 loan as part of the Paycheck Protection Program from the US Small Business Administration. JAF intends to use these funds to support payroll costs for all staff. The loan will mature in April 2022 and accrues interest at 1%, with loan payments being deferred for six months. As part of this government program, this loan is eligible for forgiveness. JAF intends to apply for loan forgiveness when available.

Subsequent to the year ended December 31, 2019, JAFF sold a Texas property for a loss of approximately \$390,000. This loss was recorded as of December 31, 2019.

Subsequent events were evaluated through April 28, 2020 which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY DATA

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY DATA**

Board of Directors
Joni and Friends
Agoura Hills, California

We have audited the consolidated financial statements of Joni and Friends as of and for the years ended December 31, 2019 and 2018, and our report thereon dated April 28, 2020, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis, rather than to present the consolidated financial position and consolidated results of operations of the individual ministries of Joni and Friends, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Tarzana, California
April 28, 2020

JONI AND FRIENDS

Consolidating Statement of Financial Position

December 31, 2019

	Joni and Friends	Joni and Friends Foundation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 9,208,240	\$ 115,303	\$ 9,323,543
Prepaid expenses and other assets	239,056	124,765	363,821
Land and condominium held for sale	-	785,000	785,000
Inventory—wheelchairs	4,167,409	-	4,167,409
Inventory—books and materials	168,708	-	168,708
	13,783,413	1,025,068	14,808,481
Non-current assets:			
Cash reserved for area ministries	350,000	-	350,000
Cash reserved for endowment	-	137,607	137,607
Endowment investments	-	4,490,298	4,490,298
Intellectual property, net of amortization	477,611	-	477,611
Land, building, and equipment—at cost, net	22,868,974	-	22,868,974
	37,479,998	5,652,973	43,132,971
Total Assets	\$ 37,479,998	\$ 5,652,973	\$ 43,132,971
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 1,080,234	\$ -	\$ 1,080,234
Accrued expenses	1,143,897	148,575	1,292,472
Long-term debt - current portion	248,515	-	248,515
	2,472,646	148,575	2,621,221
Long-term debt - net of current portion	5,836,417	1,000,000	6,836,417
	8,309,063	1,148,575	9,457,638
Net assets:			
Net assets without donor restrictions	20,579,020	1,336,132	21,915,152
Net assets with donor restrictions	8,591,915	3,168,266	11,760,181
	29,170,935	4,504,398	33,675,333
Total Liabilities and Net Assets	\$ 37,479,998	\$ 5,652,973	\$ 43,132,971

JONI AND FRIENDS

Consolidating Statement of Financial Position

December 31, 2018

	Joni and Friends	Joni and Friends Foundation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 8,339,477	\$ 272,395	\$ 8,611,872
Prepaid expenses and other assets	177,891	195,232	373,123
Land and condominium held for sale	-	1,174,700	1,174,700
Inventory—wheelchairs	3,462,354	-	3,462,354
Inventory—books and materials	134,976	-	134,976
	12,114,698	1,642,327	13,757,025
Non-current assets:			
Cash reserved for area ministries	400,000	-	400,000
Cash reserved for endowment	-	117,607	117,607
Endowment investments	-	4,411,323	4,411,323
Intellectual property, net of amortization	511,944	-	511,944
Land, building, and equipment—at cost, net	20,700,138	-	20,700,138
	20,700,138	-	20,700,138
Total Assets	\$ 33,726,780	\$ 6,171,257	\$ 39,898,037
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 651,153	\$ -	\$ 651,153
Accrued expenses	1,159,944	187,468	1,347,412
Capital lease—current portion	310,688	-	310,688
	2,121,785	187,468	2,309,253
Long-term debt - net of current portion	6,019,197	-	6,019,197
	8,140,982	187,468	8,328,450
Net assets:			
Net assets without donor restrictions	17,242,453	3,070,114	20,312,567
Net assets with donor restrictions	8,343,345	2,913,675	11,257,020
	25,585,798	5,983,789	31,569,587
Total Liabilities and Net Assets	\$ 33,726,780	\$ 6,171,257	\$ 39,898,037

JONI AND FRIENDS

Consolidating Statement of Activities

Year Ended December 31, 2019

	Joni and Friends	Joni and Friends Foundation	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 25,639,511	\$ 52,343	\$ (1,557,990)	\$ 24,133,864
Sales of books and materials	533,247	-	-	533,247
Tuition and registration	2,878,534	-	-	2,878,534
Donated stock	-	320,959	-	320,959
Oil royalty income	-	519,770	-	519,770
Royalty partnership income (oil and gas)	-	200,990	-	200,990
Investment income	654,837	69,450	-	724,287
Unrealized loss on property held for sale	-	(389,700)	-	(389,700)
Other income	-	7,791	-	7,791
Contributed airtime, wheelchairs, services and materials	20,830,289	-	-	20,830,289
Total Support and Revenue	50,536,418	781,603	(1,557,990)	49,760,031
EXPENSES:				
Gifts-in-kind	20,360,035	-	-	20,360,035
Personnel costs	13,120,524	-	-	13,120,524
Family retreat facility	2,272,601	-	-	2,272,601
Travel	1,612,239	-	-	1,612,239
Grant expense	-	2,149,592	(1,557,990)	591,602
Events and conferences	1,051,025	-	-	1,051,025
Postage and freight	1,032,001	4,808	-	1,036,809
Consultants	906,050	-	-	906,050
Depreciation and amortization	830,237	-	-	830,237
Printing and production	758,411	-	-	758,411
Rent	454,834	-	-	454,834
Licenses, assessments	503,988	-	-	503,988
Professional and bank	26,125	86,598	-	112,723
Office, insurance	2,061,363	6,681	-	2,068,044
Other	1,961,848	13,315	-	1,975,163
Total Expenses	46,951,281	2,260,994	(1,557,990)	47,654,285
Change in Net Assets	3,585,137	(1,479,391)	-	2,105,746
Net Assets, Beginning of Year	25,585,798	5,983,789	-	31,569,587
Net Assets, End of Year	<u>\$ 29,170,935</u>	<u>\$ 4,504,398</u>	<u>\$ -</u>	<u>\$ 33,675,333</u>

JONI AND FRIENDS

Consolidating Statement of Activities

Year Ended December 31, 2018

	Joni and Friends	Joni and Friends Foundation	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 22,123,353	\$ 54,737	\$ (1,383,953)	\$ 20,794,137
Sales of books and materials	489,739	-	-	489,739
Tuition and registration	2,622,744	-	-	2,622,744
Donated stock	-	291,638	-	291,638
Oil royalty income	-	612,672	-	612,672
Royalty partnership income (oil and gas)	-	281,402	-	281,402
Investment income	524,865	1,284,721	-	1,809,586
Other income	-	23,710	-	23,710
Contributed airtime, wheelchairs, services and materials	17,335,295	-	-	17,335,295
Total Support and Revenue	43,095,996	2,548,880	(1,383,953)	44,260,923
EXPENSES:				
Gifts-in-kind	17,578,680	-	-	17,578,680
Personnel costs	12,223,798	-	-	12,223,798
Family retreat facility	2,163,477	-	-	2,163,477
Banquets and reception	774,817	-	-	774,817
Travel	1,529,200	-	-	1,529,200
Grant expense	-	1,863,873	(1,383,953)	479,920
Depreciation and amortization	834,224	-	-	834,224
Consultants	847,539	10,501	-	858,040
Postage/freight	909,840	-	-	909,840
Printing and production	620,100	-	-	620,100
Licenses, assessments	379,035	-	-	379,035
Professional and bank	274,676	29,531	-	304,207
Office, insurance	1,273,658	9,768	-	1,283,426
Other	2,732,545	-	-	2,732,545
Total Expenses	42,141,589	1,913,673	(1,383,953)	42,671,309
Change in Net Assets	954,407	635,207	-	1,589,614
Net Assets, Beginning of Year	24,631,391	5,348,582	-	29,979,973
Net Assets, End of Year	\$ 25,585,798	\$ 5,983,789	\$ -	\$ 31,569,587