

JONI AND FRIENDS

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2020 and 2019

JONI AND FRIENDS

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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, 2020 and 2019, 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, 2020 and 2019, 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

Woodland Hills, California
April 29, 2021

JONI AND FRIENDS

Consolidated Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 14,530,784	\$ 9,323,543
Prepaid expenses and other assets	962,935	363,821
Land and condominium held for sale	-	785,000
Inventory—wheelchairs	3,965,205	4,167,409
Inventory—books and materials	211,632	168,708
	19,670,556	14,808,481
Non-current assets:		
Cash reserved for area ministries	300,000	350,000
Cash reserved for endowment	162,607	137,607
Endowment investments	4,496,138	4,490,298
Intellectual property, net of amortization	443,277	477,611
Land, building, and equipment—at cost, net	22,160,321	22,868,974
	27,562,343	28,324,490
Total Assets	\$ 47,232,899	\$ 43,132,971
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 312,939	\$ 1,080,234
Accrued expenses	1,380,318	1,292,472
Long-term debt - current portion	1,924,756	248,515
	3,618,013	2,621,221
Long-term debt - net of current portion	6,059,766	6,836,417
	9,677,779	9,457,638
Net assets:		
Net assets without donor restrictions	23,629,825	21,915,152
Net assets with donor restrictions	13,925,295	11,760,181
	37,555,120	33,675,333
Total Liabilities and Net Assets	\$ 47,232,899	\$ 43,132,971

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 12,316,622	\$ 9,833,412	\$ 22,150,034	\$ 9,978,721	\$ 14,162,934	\$ 24,141,655
Sales of books and materials	462,979	-	462,979	533,247	-	533,247
Tuition and registration	431,163	-	431,163	2,878,534	-	2,878,534
Donated stock	280,455	-	280,455	320,959	-	320,959
Oil royalty income	264,333	-	264,333	519,770	-	519,770
Royalty partnership income (oil and gas)	159,997	-	159,997	200,990	-	200,990
Investment income	621,207	43,105	664,312	489,696	234,591	724,287
Realized loss on property held for sale	(59,159)	-	(59,159)	-	-	-
Unrealized loss on property held for sale	-	-	-	(389,700)	-	(389,700)
Contributed airtime, wheelchairs, services and materials	15,535,712	-	15,535,712	20,830,289	-	20,830,289
Net assets released from restrictions:						
Satisfaction of wheelchair ministry and other project restrictions	7,711,403	(7,711,403)	-	13,894,364	(13,894,364)	-
Total Support, Revenue, and Reclassifications	37,724,712	2,165,114	39,889,826	49,256,870	503,161	49,760,031

(continued)

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Activities

(continued)

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	29,768,966	-	29,768,966	40,167,233	-	40,167,233
Supporting activities:						
General and administrative	3,237,234	-	3,237,234	3,422,816	-	3,422,816
Fundraising	3,003,839	-	3,003,839	4,064,236	-	4,064,236
	6,241,073	-	6,241,073	7,487,052	-	7,487,052
Total Expenses	36,010,039	-	36,010,039	47,654,285	-	47,654,285
Change in Net Assets	1,714,673	2,165,114	3,879,787	1,602,585	503,161	2,105,746
Net Assets, Beginning of Year	21,915,152	11,760,181	33,675,333	20,312,567	11,257,020	31,569,587
Net Assets, End of Year	\$ 23,629,825	\$ 13,925,295	\$ 37,555,120	\$ 21,915,152	\$ 11,760,181	\$ 33,675,333

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,879,787	\$ 2,105,746
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	768,998	795,904
Amortization	47,181	34,333
Unrealized (gain) loss on investments	30,309	(54,027)
Net investment income	(14,544)	(24,948)
Realized loss on real property held for sale	59,159	-
Gifts-in-kind contributions	(15,535,712)	(20,830,289)
Gifts-in-kind used in operations	15,737,916	20,125,234
Unrealized loss on real property held for sale	-	389,700
Net change in:		
Prepaid expenses and other assets	(599,114)	9,302
Inventory—books and materials	(42,924)	(33,732)
Accounts payable	(767,295)	429,081
Accrued expenses	87,846	(54,940)
Net Cash Provided by Operating Activities	3,651,607	2,891,364
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of condominium	725,841	-
Purchase of investments	(450,838)	-
Sale of investments	429,233	-
Proceeds from sale of land, buildings, and equipment	4,000	-
Capital expenditures	(64,345)	(2,962,855)
Net Cash Provided (Used) by Investing Activities	643,891	(2,962,855)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(1,678,492)	(154,811)
Payment on intellectual property	(87,750)	(92,027)
Proceeds from notes payable	2,652,985	1,000,000
Net Cash Provided by Financing Activities	886,743	753,162
Change in Cash and Cash Equivalents	5,182,241	681,671
Cash and Cash Equivalents, Beginning of Year	9,811,150	9,129,479
Cash and Cash Equivalents, End of Year	\$ 14,993,391	\$ 9,811,150

(continued)

See notes to consolidated financial statements

JONI AND FRIENDS

Consolidated Statements of Cash Flows

(continued)

	Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
SUMMARY OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 14,530,784	\$ 9,323,543
Cash reserved for area ministries	300,000	350,000
Cash reserved for endowment	<u>162,607</u>	<u>137,607</u>
	<u>\$ 14,993,391</u>	<u>\$ 9,811,150</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 156,987</u>	<u>\$ 253,512</u>
Fixed assets fully depreciated at disposal	<u>\$ 868,216</u>	<u>\$ -</u>

See notes to consolidated financial statements

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 the organization follows is included below to enhance the usefulness of the consolidated financial statements to the reader.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, JAF's cash balances exceeded federally insured limits by approximately \$11,310,000 and \$5,735,000, respectively.

INVENTORY

Inventory consists of two components: 1) 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. 2) Joni and Friends merchandise and books for sale are stated at the lower of cost or net realizable value, using the weighted average method.

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 with escrow fees of \$59,159. 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 significantly impaired the land value, JAFF recorded a write-down of the land at December 31, 2019 to the ultimate sales price.

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, 2020 and 2019, JAFF received independent valuations of the investments by a qualified appraiser, utilizing the current income method and a capitalization rate of 20% (see Note 5).

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, 2020 and 2019

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, for the board designated endowment fund, or for investment in land, buildings and equipment.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or for long-term projects. As of December 31, 2020 and 2019, the net assets with donor restrictions consist primarily of the wheelchair ministry projects, area 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, or unappropriated endowment income.

REVENUE RECOGNITION

Contributions

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.

Program revenue

Program 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, 2020 and 2019

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, 2020 and 2019.

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.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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,	
	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 14,530,784	\$ 9,323,543
Cash reserved for area ministries	300,000	350,000
Cash reserved for endowment	162,607	137,607
Endowment investments	4,496,138	4,490,298
Financial Assets, at year-end	<u>19,489,529</u>	<u>14,301,448</u>
Less those not available for general expenditure within one year:		
Cash reserved for area ministries	(300,000)	(350,000)
Cash reserved for endowment	(162,607)	(137,607)
Investments not available for expenditure	(3,073,337)	(3,030,659)
Board designated investments for endowment funds	(1,422,801)	(1,459,639)
Donor restricted net assets	(6,828,783)	(6,055,640)
Minimum liquid asset balance required under debt agreement	-	(5,000,000)
Financial assets not available for general expenditure within one year	<u>(11,787,528)</u>	<u>(16,033,545)</u>
Financial assets available for general expenditure within one year	<u>\$ 7,702,001</u>	<u>\$ (1,732,097)</u>

JAF has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2020 and 2019, 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, 2020 and 2019

4. ENDOWMENT INVESTMENTS:

Endowment investments consist of:

	December 31,	
	<u>2020</u>	<u>2019</u>
Endowment investments:		
Investment in real property	\$ 1,859,660	\$ 1,816,555
Investment in royalty stream (oil and gas)	1,163,278	1,225,470
Annuities	838,089	794,790
Fixed income exchange traded funds	623,879	221,672
Cash and money markets	11,232	286,700
Exchange traded funds	-	145,111
	<u>\$ 4,496,138</u>	<u>\$ 4,490,298</u>

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 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:				
Fixed income				
exchange traded funds	\$ 623,879	\$ 623,879	\$ -	\$ -
Annuities	838,089	-	838,089	-
Investment in royalty stream (oil and gas)	1,163,278	-	-	1,163,278
Real property	1,859,660	-	-	1,859,660
Endowment investments at fair value	4,484,906	\$ 623,879	\$ 838,089	\$ 3,022,938
Investments at other than fair value:				
Cash and money markets	11,232			
Total endowment investments	\$ 4,496,138			

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

5. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis on December 31, 2019, 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:				
Fixed income				
exchange traded 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	1,816,555	-	-	1,816,555
Endowment investments at fair value	4,203,598	\$ 366,783	\$ 794,790	\$ 3,042,025
Investments at other than fair value:				
Cash and money markets	286,700			
Total endowment investments	\$ 4,490,298			

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, 2020 and 2019

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, 2018	\$ 1,484,199	\$ 1,581,964	\$ 3,066,163
Net gains (realized and unrealized)	(258,729)	234,591	(24,138)
Balance, December 31, 2019	1,225,470	1,816,555	3,042,025
Net gains (losses) (realized and unrealized)	(62,192)	43,105	(19,087)
Balance, December 31, 2020	\$ 1,163,278	\$ 1,859,660	\$ 3,022,938

6. LAND, BUILDING, AND EQUIPMENT:

Land, building, and equipment consist of:

	December 31,	
	2020	2019
Land	\$ 4,224,000	\$ 4,224,000
Building and improvements	21,648,730	21,646,279
Furniture and equipment	1,071,387	1,881,709
	26,944,117	27,751,988
Less accumulated depreciation	(4,783,796)	(4,883,014)
	\$ 22,160,321	\$ 22,868,974

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

7. LONG-TERM DEBT:

Long-term debt consists of:

	December 31,	
	2020	2019
<p>Note payable to a bank, secured by real property, bearing interest at an initial rate of 3.74% through February 29, 2020, and was reset to an interest rate of 2.5% from that time through maturity. Monthly principal and interest payments average \$29,345, with a monthly fixed principal payment of \$21,000. Balance of \$3,611,049 is due March 1, 2023.</p>	\$ 4,157,055	\$ 5,835,547
<p>Paycheck Protection Program loan through the Coronavirus Aid, Relief, and Economic Security Act. Up to the full amount of the loan can be forgiven if established criteria are met. Accrues interest at 1.00% per annum and matures in April 2022. See Note 16 for update on loan forgiveness.</p>	2,652,985	-
<p>Unsecured non-interest bearing note payable to founder, net of discount. Interest imputed at 2.8%. Principal and interest payments of \$100,000 paid annually, due 2022.</p>	186,000	273,750
<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	1,000,000
	7,996,040	7,109,297
<p>Less current portion</p>	(1,924,756)	(248,515)
<p>Less prepaid loan costs, net of amortization</p>	(11,518)	(24,365)
	\$ 6,059,766	\$ 6,836,417

The future minimum payments are:

Year Ending December 31,	
2021	\$ 1,924,756
2022	1,429,752
2023	3,641,532
2024	-
2025	-
Thereafter	1,000,000
	\$ 7,996,040

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

7. LONG-TERM DEBT, continued:

LOAN COVENANTS

In conjunction with the loan, JAF is required to comply with certain financial and reporting covenants. As of December 31, 2020, JAF was in compliance with the covenants.

8. NET ASSETS:

Net assets without donor restrictions consists of:

	December 31,	
	2020	2019
Undesignated	\$ 22,207,024	\$ 15,455,513
Board designated investments for endowment fund	1,422,801	1,459,639
Minimum liquid assets required under loan agreement	-	5,000,000
	<u>\$ 23,629,825</u>	<u>\$ 21,915,152</u>

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

	December 31,	
	2020	2019
Wheels for the World	\$ 8,572,022	\$ 7,303,574
Area ministries	2,049,373	1,176,394
Unappropriated endowment income	1,567,148	1,524,043
Donor restricted funds held in perpetuity	1,471,909	1,446,909
Real property restricted for operations	197,314	197,314
Christian Fund for the Disabled	67,529	68,316
Family Retreat	-	43,631
	<u>\$ 13,925,295</u>	<u>\$ 11,760,181</u>

Real property restricted for operations is time restricted for the life of a lifetime beneficiary. Upon the beneficiary's death, net assets will be released and will be available for unrestricted purposes.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019. 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, 2020 and 2019

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, 2020.

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	\$ -	\$ 3,236,371	\$ 3,236,371
Board designated endowment	1,422,801	-	1,422,801
	<u>\$ 1,422,801</u>	<u>\$ 3,236,371</u>	<u>\$ 4,659,172</u>

Endowment composition and net asset classifications as of December 31, 2019.

	Without Donor Restrictions	With Donor Restrictions	Total
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>

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

9. ENDOWMENTS, continued:

Changes in Endowment Net Assets for the Fiscal Year December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,459,639	\$ 3,168,266	\$ 4,627,905
Investment return:			
Net gains (losses) (realized and unrealized)	(36,838)	43,105	6,267
	(36,838)	43,105	6,267
Contributions	-	25,000	25,000
Endowment net assets, end of year	\$ 1,422,801	\$ 3,236,371	\$ 4,659,172

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 (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

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019.

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, 2020 and 2019, 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 the U.S. and other countries. During the years ended December 31, 2020 and 2019, 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, 2020 and 2019

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

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

	Year Ended December 31,	
	2020	2019
Contributed radio airtime	\$ 6,218,432	\$ 5,925,902
Contributed wheelchairs	5,080,838	7,667,891
Contributed services	4,153,060	7,109,763
Contributed materials	83,382	126,733
	\$ 15,535,712	\$ 20,830,289

The above airtime, wheelchairs, service, and materials expenses are included in Gifts-in-kind expense 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, 2020,			
	Program Services	General and Administrative	Fundraising	Total
Gifts-in-kind	\$ 15,864,416	\$ -	\$ -	\$ 15,864,416
Personnel costs	8,927,285	1,745,505	1,598,065	12,270,855
Office, insurance	991,884	755,354	342,215	2,089,453
Printing and production	455,683	70,344	370,558	896,585
Depreciation and amortization	482,300	166,476	167,403	816,179
Other	750,583	2,740	64,751	818,074
Rent	477,894	-	-	477,894
Travel	451,692	4,334	20,257	476,283
Postage and freight	363,141	11,284	337,175	711,600
Grant expense	401,840	3,496	-	405,336
Consultants	198,992	102,477	99,496	400,965
Professional and bank	-	363,229	-	363,229
Family retreat facility	319,926	-	-	319,926
Events and conferences	83,330	5,405	3,919	92,654
Licenses, assessments	-	6,590	-	6,590
	\$ 29,768,966	\$ 3,237,234	\$ 3,003,839	\$ 36,010,039

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

11. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

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

	Year ended December 31, 2019,			
	Program	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	591,602	-	-	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	711,018	147,121	2,105,907
Other	1,520,105	22,557	394,638	1,937,300
	\$ 40,167,233	\$ 3,422,816	\$ 4,064,236	\$ 47,654,285

METHODS USED FOR ALLOCATION OF EXPENSE:

The financial statements report certain categories of expenses that are attributable to more than one 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 \$19,500 (or \$26,500 if age 50 or over) for the year ended December 31, 2020. For the years ended December 31, 2020 and 2019, JAF made contributions in the amount of approximately \$273,000 and \$250,000, respectively.

JONI AND FRIENDS

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 \$35,642 and the storage and equipment leases have cumulative monthly payments of \$7,827. The leases expire at various times through 2025. The future minimum payments are:

<u>Year Ending December 31,</u>	
2021	\$ 443,311
2022	327,075
2023	182,138
2024	81,461
2025	<u>37,832</u>
	<u>\$ 1,071,817</u>

Lease expense under cancelable and noncancelable lease agreements for the years ended December 31, 2020 and 2019, was approximately \$595,000 and \$579,000, 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, 2020 and 2019, commissions paid to the brokerage firm were \$5,511 and \$6,225, 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 for \$500,000. JAF paid \$100,000 during the years ended December 31, 2020, 2019 and 2018, and is committed to make two more annual payments of \$100,000 each in 2021 and 2022.

During the years ended December 31, 2020 and 2019, the board of directors, as a group, contributed approximately \$781,000 and \$1,056,000 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, 2020 and 2019

15. RISKS AND UNCERTAINTIES

JAF's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on JAF's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to JAF's donor population and contribution revenue, absenteeism in JAF's workforce, and a decline in value of assets held by JAF including receivables, property and equipment, and marketable securities. The financial impact cannot be estimated at this time because the duration of the pandemic cannot be estimated.

16. SUBSEQUENT EVENTS:

Subsequent to year end, JAF applied for loan forgiveness on the Paycheck Protection Program loan through the Small Business Administration (SBA). Management is confident that JAF met all of the criteria for both the original loan application as well as the loan forgiveness requirements; however the SBA has not yet completed their review of the loan forgiveness application and related documents and the bank has advised that the decision may not be made until early June 2021.

Subsequent events were evaluated through April 29, 2021 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, 2020 and 2019, and our report thereon dated April 29, 2021, 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

Woodland Hills, California
April 29, 2021

JONI AND FRIENDS

Consolidating Statement of Financial Position

December 31, 2020

	Joni and Friends	Joni and Friends Foundation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 14,335,262	\$ 195,522	\$ 14,530,784
Prepaid expenses and other assets	855,884	107,051	962,935
Inventory—wheelchairs	3,965,205	-	3,965,205
Inventory—books and materials	211,632	-	211,632
	19,367,983	302,573	19,670,556
Non-current assets:			
Cash reserved for area ministries	300,000	-	300,000
Cash reserved for endowment	-	162,607	162,607
Endowment investments	-	4,496,138	4,496,138
Intellectual property, net of amortization	443,277	-	443,277
Land, building, and equipment—at cost, net	22,160,321	-	22,160,321
	22,160,321	-	22,160,321
Total Assets	\$ 42,271,581	\$ 4,961,318	\$ 47,232,899
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 312,939	\$ -	\$ 312,939
Accrued expenses	1,226,275	154,043	1,380,318
Long-term debt - current portion	1,924,756	-	1,924,756
	3,463,970	154,043	3,618,013
Long-term debt - net of current portion	5,059,766	1,000,000	6,059,766
	8,523,736	1,154,043	9,677,779
Net assets:			
Net assets without donor restrictions	23,058,921	570,904	23,629,825
Net assets with donor restrictions	10,688,924	3,236,371	13,925,295
	33,747,845	3,807,275	37,555,120
Total Liabilities and Net Assets	\$ 42,271,581	\$ 4,961,318	\$ 47,232,899

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	\$ 240,068	\$ 9,448,308
Prepaid expenses and other assets	239,056	-	239,056
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 Activities

Year Ended December 31, 2020

	Joni and Friends	Joni and Friends Foundation	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 23,378,949	\$ 90,650	\$ (1,319,565)	\$ 22,150,034
Sales of books and materials	462,979	-	-	462,979
Tuition and registration	431,163	-	-	431,163
Donated stock	-	280,455	-	280,455
Oil royalty income	-	264,333	-	264,333
Royalty partnership income (oil and gas)	-	159,997	-	159,997
Investment income	658,045	6,267	-	664,312
Unrealized loss on property held for sale	-	-	-	-
Realized loss on property held for sale	-	(59,159)	-	(59,159)
Contributed airtime, wheelchairs, services and materials	15,535,712	-	-	15,535,712
Total Support and Revenue	40,466,848	742,543	(1,319,565)	39,889,826
EXPENSES:				
Gifts-in-kind	15,864,416	-	-	15,864,416
Personnel costs	12,270,855	-	-	12,270,855
Office, insurance	2,052,608	36,845	-	2,089,453
Printing and production	896,585	-	-	896,585
Depreciation and amortization	816,179	-	-	816,179
Other	818,074	-	-	818,074
Rent	477,894	-	-	477,894
Travel	476,283	-	-	476,283
Postage and freight	711,600	-	-	711,600
Grant expense	347,069	1,377,832	(1,319,565)	405,336
Consultants	397,984	2,981	-	400,965
Professional and bank	341,221	22,008	-	363,229
Family retreat facility	319,926	-	-	319,926
Events and conferences	92,654	-	-	92,654
Licenses, assessments	6,590	-	-	6,590
Total Expenses	35,889,938	1,439,666	(1,319,565)	36,010,039
Change in Net Assets	4,576,910	(697,123)	-	3,879,787
Net Assets, Beginning of Year	29,170,935	4,504,398	-	33,675,333
Net Assets, End of Year	\$ 33,747,845	\$ 3,807,275	\$ -	\$ 37,555,120

JONI AND FRIENDS

Consolidating Statement of Activities

Year Ended December 31, 2019

	Joni and Friends	Joni and Friends Foundation	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
SUPPORT AND REVENUE:				
Contributions	\$ 25,639,511	\$ 60,134	\$ (1,557,990)	\$ 24,141,655
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)
Contributed airtime, wheelchairs, services and materials	20,830,289	-	-	20,830,289
	<u>50,536,418</u>	<u>781,603</u>	<u>(1,557,990)</u>	<u>49,760,031</u>
Total Support and Revenue				
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	2,099,226	6,681	-	2,105,907
Other	1,923,985	13,315	-	1,937,300
	<u>46,951,281</u>	<u>2,260,994</u>	<u>(1,557,990)</u>	<u>47,654,285</u>
Total Expenses				
Change in Net Assets	3,585,137	(1,479,391)	-	2,105,746
Net Assets, Beginning of Year	<u>25,585,798</u>	<u>5,983,789</u>	<u>-</u>	<u>31,569,587</u>
Net Assets, End of Year	<u>\$ 29,170,935</u>	<u>\$ 4,504,398</u>	<u>\$ -</u>	<u>\$ 33,675,333</u>