

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC.**  
**AND AFFILIATES**

CONSOLIDATING FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

For the Year Ended  
December 31, 2018

\* \* \*

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

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Board of Trustees  
The Friends of Israel Gospel Ministry, Inc., and Affiliates  
Bellmawr, New Jersey

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidating financial statements of The Friends of Israel Gospel Ministry, Inc., (a nonprofit organization) and Affiliates which comprise the consolidating statement of financial position as of December 31, 2018, and the related consolidating statements of activity and cash flows for the year then ended, and the related notes to the consolidating financial statements.

### *Management's Responsibility for the Consolidating Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of FOI Gospel Ministry Inc.(FOI-Canada), a wholly owned subsidiary, which statements reflect total assets of \$2,852,721(CAD\$) as of December 31, 2018, and total revenues of \$1,204,594 (CAD\$), respectively, for the year then ended. Those statements, which were prepared in accordance with Canadian generally accepted auditing standards as issued by the Accounting Standards Board of Canada, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of FOI-Canada, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for FOI-Canada, prior to these conversion adjustments, is based solely on the report of the other auditors. 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 audit 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 consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

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

***Opinion***

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of The Friends of Israel Gospel Ministry, Inc., and Affiliates as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The supplemental information included in Schedules 1 to 3 is presented for purposes of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating 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 consolidating financial statements as a whole.

*Lambrides, Arnold, Moulthrop, LLP*

July 15, 2019

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,824,076	\$ 202,825		\$ 2,026,901
Accounts receivable (Note 2d)	165,382		\$ (127,230)	38,152
Due from taxing authority		18,216		18,216
Inventory (Note 5)	289,368	31,088		320,456
Prepaid expenses	309,543	3,694		313,237
Restricted cash (Note 3)	50,112			50,112
Investments (Note 7)	7,555,563	1,406,524		8,962,087
Property investment (Note 6)	167,873			167,873
Beneficial interest in trust (Note 8)	187,252			187,252
Construction in progress	2,771,449			2,771,449
Property and equipment, net (Note 9)	3,644,562	12,594		3,657,156
Total assets	<u>\$ 16,965,180</u>	<u>\$ 1,674,941</u>		<u>\$ 18,512,891</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 803,385	\$ 142,005	\$ (127,230)	\$ 818,160
Deferred compensation (Note 10)	177,810			177,810
Deferred revenue	481,014	40,986		522,000
Notes payable (Note 11)	1,722,800			1,722,800
Mortgage payable (Note 11)	1,776,115			1,776,115
Annuities payable	4,927,945			4,927,945
Revocable trust agreements	41,856			41,856
Irrevocable trust agreements	142,081			142,081
Total liabilities	<u>10,073,006</u>	<u>182,991</u>		<u>\$ 10,128,767</u>
Net assets:				
Without Donor Restriction				
Undesignated	1,663,245	1,491,950		3,155,195
Designated by governing board as reserve for:				
Debt retirement (Note 12)	344,560			344,560
Total unrestricted net assets	2,007,805	1,491,950		3,499,755
With Donor Restriction	4,884,369			4,884,369
Total net assets	<u>6,892,174</u>	<u>1,491,950</u>		<u>8,384,124</u>
Total liabilities and net assets	<u>\$ 16,965,180</u>	<u>\$ 1,674,941</u>		<u>\$ 18,512,891</u>

See notes to the financial statements.

Exhibit A

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	FOI - USA		FOI - CANADA	INTERCOMPANY ELIMINATIONS	TOTAL
	Without Donor Restrictions	With Donor Restricted			
	Total				
<b>Support and Revenue:</b>					
Support:					
General ministry contributions	\$ 4,727,157	\$ 47,531	\$ 4,774,688	\$ 453,502	\$ 5,228,190
North American ministry contributions	1,527,056	231,688	1,758,744	176,831	1,935,575
Foreign ministry contributions	530,600	1,199,784	1,730,384		1,730,384
Relief ministry contributions		527,982	527,982		527,982
Institute of Jewish Studies	10		10		10
Gift portion of annuities	185,219		185,219		185,219
Legacies	1,459,365		1,459,365	5,927	1,465,292
Publication contributions		239,512	239,512		239,512
Capital campaign		568,880	568,880		568,880
Gifts-in-kind	4,287		4,287	14,757	19,044
Total support	8,433,694	2,815,377	11,249,071	651,017	11,900,088
Revenue:					
Ministry publications, audio, and video	841,908		841,908	89,099	931,007
Conference and special functions	159,714		159,714	49,017	208,731
Interest and dividends	80,871		80,871	41,599	122,470
Other revenue	3,088		3,088	175	3,263
Total revenue	1,085,581	-	1,085,581	179,890	1,265,471
Total support and revenue	9,519,275	2,815,377	12,334,652	830,907	13,165,559
<b>Reclassifications:</b>					
Satisfaction of restrictions (Note 11)	2,146,329	(2,146,329)	-	-	-
<b>Expenses:</b>					
Program services					
Media ministries	1,333,149		1,333,149	88,479	1,421,628
Publication ministries	2,464,716		2,464,716	277,881	2,742,597
North American ministries	2,134,261		2,134,261	417,549	2,551,810
Foreign ministries	2,348,311		2,348,311		2,348,311
Relief ministries	506,098		506,098		506,098
Institute of Jewish Studies	59,347		59,347		59,347
Conference and special functions	724,688		724,688	86,348	811,036
Total program services	9,570,570		9,570,570	870,257	10,440,827
Supporting services:					
Management and general	1,975,353		1,975,353	327,997	2,303,350
Stewardship and fundraising	673,352		673,352	45,142	718,494
Total supporting services	2,648,705	-	2,648,705	373,139	3,021,844
Total expenses	12,219,275	-	12,219,275	1,243,396	13,462,671
<b>Change in Net Assets Before Other Changes</b>	<b>(553,671)</b>	<b>669,048</b>	<b>115,377</b>	<b>(412,489)</b>	<b>(297,112)</b>

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	FOI - USA		FOI - CANADA	INTERCOMPANY ELIMINATIONS	TOTAL
	Without Donor Restrictions	With Donor Restricted	Total		
<b>Change in Net Assets Before Other Changes</b>			115,377	-	(297,112)
Other Changes in Net Assets	(553,671)	669,048			
Realized and unrealized loss on investments	(136,095)		(136,095)		(194,135)
Change in actuarial value of gift annuities and trust	(412,558)	(24,798)	(437,356)		(437,356)
Gain on foreign currency translation			-	(152,046)	(152,046)
Total other changes in net assets	(548,653)	(24,798)	(573,451)	(210,086)	(783,537)
<b>Change in Net Assets</b>	(1,102,324)	644,250	(458,074)		(1,080,649)
<b>Net Assets at Beginning of Year</b>	3,110,129	4,240,119	7,350,248		9,464,773
<b>Net Assets at End of Year</b>	\$ 2,007,805	\$ 4,884,369	\$ 6,892,174	\$ 1,491,950	\$ 8,384,124

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018**

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>				
Change in net assets	\$ (458,074)	\$ (622,575)		\$ (1,080,649)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	296,002	12,837		308,839
Realized and unrealized gain on investments	728,995	58,040		787,035
Gain on disposal of fixed asset	17,248			17,248
Actuarial change in value of annuities, net payments	158,785			158,785
Change in value of irrevocable trusts	13,266			13,266
Change in value of beneficial interest in trust	4,165			4,165
Contributions restricted for capital renovations	(568,880)			(568,880)
Changes in:				
Accounts and other receivable	(3,224)		\$ 127,230	124,006
Legacies receivable	118,005			118,005
Inventory	2,351	572		2,923
Prepaid expenses	(47,157)	11,800		(35,357)
Restricted cash	(75)			(75)
Accounts payable and accrued expenses	69,468	5,926	(127,230)	(51,836)
Due from tax authority		(1,970)		(1,970)
Deferred compensation	(17,951)			(17,951)
Deferred revenue	341,827	31,842		373,669
Net cash provided (used) by operating activities	<u>654,751</u>	<u>(503,528)</u>	<u>-</u>	<u>151,223</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from contributions restricted for capital renovations	568,880			568,880
Proceeds from sale of investments	3,344,536	1,586,519		4,931,055
Purchase of investments	(2,683,708)	(1,367,012)		(4,050,720)
Purchase of property and equipment	(57,456)	(13,658)		(71,114)
Purchase of construction in progress	<u>(1,112,355)</u>	<u>-</u>		<u>(1,112,355)</u>
Net cash provided (used) by investing activities	<u>59,897</u>	<u>205,849</u>	<u>-</u>	<u>265,746</u>
<b>Cash Flows from Financing Activities:</b>				
Proceeds from notes payable	715,968			715,968
Payment of notes and mortgage	(490,357)			(490,357)
Payment on annuity and irrevocable trust agreements	(838,948)			(838,948)
Face value of new annuities, net of contribution	192,230			192,230
Investment income (loss) on irrevocable trust assets	<u>(34,541)</u>	<u>-</u>		<u>(34,541)</u>
Net cash used by financing activities	<u>(455,648)</u>	<u>-</u>		<u>(455,648)</u>
<b>Effect of Exchange Rate Changes on Cash</b>		297,803		297,803
<b>Change in Cash and Cash Equivalents</b>	259,000	124		259,124
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,565,076</u>	<u>202,701</u>		<u>1,767,777</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>1,824,076</u>	<u>\$ 202,825</u>		<u>2,026,901</u>

See notes to the financial statements.

Exhibit C (continued)



**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018**

	<u>FOI - USA</u>
<b>Supplemental Disclosures of Cash Flow Information</b>	
Cash paid for interest on debt - non capitalized	<u>\$ 157,058</u>
Non-cash investing transactions:	
Donated securities	<u>\$ 147,574</u>

See notes to the financial statements.

Exhibit C (concluded)

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

	FOI - USA					FOI - Canada					Total Program
	Media Ministries	Publication Ministries	North American Ministries	Inter-national Ministries	Relief Ministries	Education Conferences and Other Ministries	Media Ministries	Publication Ministries	Canada Ministries	Education Conferences and Other Ministries	
Ministry expenditures	\$ 267,226		\$ 215,560	\$ 630,573	\$ 506,098	\$ 4,635	\$ 44,941	\$ 5,548	\$ 31,947	\$ -	\$ 1,700,980
Salaries	610,672	390,318	1,161,156	1,236,567	-	209,442	32,338	5,548	256,238	-	3,902,279
Payroll taxes	41,627	28,473	26,976	13,147	-	3,738	-	-	10,518	-	124,479
Pension	62,786	37,141	115,040	110,941	-	20,150	-	-	19,688	-	365,746
Other staff benefits	141,243	99,632	243,953	70,750	-	26,337	-	-	-	-	581,915
Professional fees	1,581	-	-	11,674	-	-	-	-	-	-	13,255
Advertising	9,502	12,871	-	-	-	67,365	-	-	-	\$ 1,097	90,835
Postage and mailings	155	706,905	8,870	17,928	-	36,568	-	207,746	4,093	329	982,594
Office supplies and services	5,718	20,305	30,277	27,300	-	5,882	-	1,417	9,016	4,352	104,267
Bank fees	-	-	-	-	-	-	-	-	-	-	-
Information technology	6,696	696	9,481	7,229	-	1,639	194	-	1,644	-	27,579
Royalties	1,998	16,876	-	-	-	-	-	-	-	-	18,874
Occupancy	48,277	48,277	39,513	4,100	-	7,848	-	14,935	4,403	-	167,353
Travel	11,410	11,129	176,630	35,657	-	83,493	-	-	73,682	838	392,839
Conference, conventions, meetings	689	89	9,899	-	-	296,601	-	-	6,233	79,732	393,243
Interest	-	-	-	-	-	-	-	-	-	-	-
Insurance	26,299	26,299	14,539	1,636	-	5,286	-	-	-	-	74,059
Currency exchange rate adjustments	-	(2,647)	-	95,088	-	-	-	-	-	-	92,441
Cost of goods sold	61,606	1,055,281	650	76,909	-	-	11,006	48,235	-	-	1,253,687
Training	18,774	-	1,700	312	-	-	-	-	87	-	20,873
Miscellaneous	3,957	138	999	3,894	-	169	-	-	-	-	9,157
Depreciation	12,933	12,933	79,018	4,606	-	14,882	-	-	-	-	124,372
	\$ 1,333,149	\$ 2,464,716	\$ 2,134,261	\$ 2,348,311	\$ 506,098	\$ 784,035	\$ 88,479	\$ 277,881	\$ 417,549	\$ 86,348	\$ 10,440,827

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

	FOI - USA		FOI - Canada		
	Management and General	Fund- raising	Management and General	Fund- raising	Total Supporting Services
Total Program					Total
Ministry expenditures	\$ 1,700,980	-	\$ 150,948	\$ 16,932	\$ 1,710,980
Salaries	3,902,279	316,903	590,275	16,932	4,977,337
Payroll taxes	124,479	20,359	39,838	1,093	192,592
Pension	365,746	29,797	66,426	444	468,754
Other staff benefits	581,915	59,991	167,384		809,290
Professional fees	13,255	22,521	148,154	16,348	222,709
Advertising	90,835	-	119		90,954
Postage and mailings	982,594	5,689	37,728	180	1,027,210
Office supplies and services	104,267	12,103	79,628	558	209,642
Bank fees	-	-	87,676		101,468
Information technology	27,579	3,758	144,308	6,874	182,519
Royalties	18,874	-	-		18,874
Occupancy	167,353	38,719	159,318	1,187	403,992
Travel	392,839	135,329	59,814	8,395	598,593
Conference, conventions, meetings	393,243	-	-	2,968	396,211
Interest	-	-	157,079		157,079
Insurance	74,059	-	29,987		108,748
Currency exchange rate adjustments	92,441	-	-	4,702	34,689
Cost of goods sold	1,253,687	-	-	23,772	116,213
Training	20,873	1,117	48,640		1,253,687
Miscellaneous	9,157	3,517	899	5	73,671
Depreciation	124,372	23,549	148,080		33,309
	\$ 10,440,827	\$ 673,352	\$ 1,975,353	\$ 45,142	\$ 13,462,671
			\$ 327,997	\$ 3,021,844	\$ 3,021,844

## THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES

### NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 1. **Organization:**

The Friends of Israel Gospel Ministry, Inc., and Affiliates (the Organization) is a faith ministry founded in 1938 and organized as a not-for-profit religious corporation. It is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Friends of Israel Gospel Ministry, Inc., is a worldwide Christian ministry communicating biblical truth about Israel and the Messiah, while fostering solidarity with the Jewish people. Support and revenues are derived primarily from contributions from the general public and sales of ministry publications.

The Friends of Israel Gospel Ministry, Inc. has a commitment to its ministries in Canada and in Argentina. As affiliates, certain board members and employees of the Friends of Israel Gospel Ministry, Inc. sit on The Friends of Israel Gospel Ministry – Canada (FOI - Canada) board and The Christian Friends of Israel of Argentina board giving the Friends of Israel Gospel Ministry, Inc. a majority voting interest. The Christian Friends of Israel of Argentina receives support from Friends of Israel Gospel Ministry. Per the joint ministries agreement between The Friends of Israel Gospel Ministry, Inc. and FOI-Canada, support may be collected on behalf of the other entity and exchanged on a quarterly basis throughout the year. Therefore, the financial statements of FOI – Canada and Christian Friends of Israel of Argentina are consolidated with The Friends of Israel Gospel Ministry, Inc., collectively referred to in these notes as “the Organization.”

#### 2. **Significant Accounting Policies:**

##### (a) *Basis of Accounting*

The accompanying consolidating financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

##### (b) *Principles of Consolidation*

The accompanying consolidating financial statements include the accounts of the Organization. All material inter-organization transactions, if any, have been eliminated in consolidation.

##### (c) *Cash and Cash Equivalents*

For purposes of the consolidating statement of cash flows, the Organization considers cash and cash equivalents to be amounts in checking and savings accounts, cash on hand, and securities purchased with original maturities of three months or less. Certain items meet the definition of cash and cash equivalents but are part of a larger pool of investments and are classified as investments. While at times cash balances may exceed federally insured (FDIC) limits, the Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on these accounts.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. Significant Accounting Policies: (continued)**

**(d) *Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances totaling \$38,152 at December 31, 2018. Management believes all receivable balances are collectible; therefore, no provision for uncollectible accounts was made.

	<u>FOI - USA</u>
Account receivable - bookstore	\$ 19,604
Notes receivable - employee	18,548
U.S./Canadian receivable	<u>127,230</u>
Total receivables	<u>165,382</u>
Less intercompany receivable	<u>(127,230)</u>
Total receivables	<u>\$ 38,152</u>

**(e) *Legacies Receivable***

Legacies receivable relate to charitable distributions from estates and trusts for which the Organization has been notified of and have gone through probate. Legacies receivable are stated at the amount management expects to collect based on information received. Management believes all receivable balances are collectible; therefore, no provision for uncollectible accounts was made.

**(f) *Inventory***

Inventory is stated at the lower of cost or net realizable value and consists of various literature, media and other items held for sale and distribution. Cost is determined using the first-in, first-out method.

**(g) *Investments and Investment Income***

Investments are reported fair value with gains and losses included in the consolidating statement of activities in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Donated investments are initially recorded at fair value on the date of the gift. Adjustments to the carrying value of the investments are reported in the consolidating statement of activities as a component of realized or unrealized gain (losses), except for adjustments to the carrying value of annuity investments which are reported in the consolidating statement of activities as a component of change in actuarial value of annuities and trusts.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. Significant Accounting Policies: (continued)**

**(h) Land, Buildings and Equipment**

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Friends of Israel capitalizes assets with a cost basis (or fair value for donated assets) of \$2,000 or greater, and expenditures for repairs and maintenance are expensed when incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported as income. Depreciation is recorded on the straight line basis over the following estimated useful lives:

Buildings	40 years
Building improvements	20 years
Furniture, fixtures, equipment and vehicles	5 to 10 years
Software	3 years

**(i) Annuities Payable**

The Organization has established a gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the gift annuity is considered to be a charitable contribution at the date of the gift. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The annuity liability is revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. The resulting actuarial gain or loss is recorded as change in actuarial value of annuities in the consolidating statement of activities.

The Organization is required to maintain legally-mandated reserves and investment guidelines for the State of New Jersey. At December 31, 2018, the Organization was in compliance with each of these requirements.

**(j) Charitable Remainder Trusts**

The Organization is named as beneficiary of various charitable remainder unitrusts and acts as the trustee. The agreements provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon receipt of these agreements, the actuarially determined present value of future payments is recorded as a liability. The remaining portion of the trust attributable to the Organization's future interest is recorded in the consolidating statement of activities as temporarily restricted contributions in the period received. On an annual basis, the present value of the remaining future liability is revalued based upon actuarial assumptions.

**(k) Classes of Net Assets**

The consolidating financial statements report amounts by class of net assets as follows:

*Net Assets Without Donor Restrictions* are those which include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. Significant Accounting Policies: (continued)**

**(k) *Classes of Net Assets* (continued)**

Organization to utilize the funds in furtherance of its mission, designated by the board for specific use, resources invested in property and equipment and required annuity reserves.

*Net Assets with Donor Restrictions* carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Donor-imposed restrictions may expire either because certain actions are taken by the Organization which fulfill the restrictions or because of the passage of time. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets, with the exception of contributions for missionary support. Contributions for missionary support that are restricted by the donor are reported as increases in Net Assets without Donor Restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized.

**(l) *Support, Revenue, Expenses and Reclassifications***

Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Legacies are recorded as income at the time the Organization has an established right to the legacy and the proceeds are measurable.

The Organization recognizes gifts of cash and other assets as net assets without donor restrictions support unless they are received with donor stipulations that limit the use of the donated amounts. Net assets with donor restrictions are reclassified to net assets without donor restrictions and recognized in the consolidating statement of activities as satisfaction of purpose restrictions when a stipulated time restriction ends or purpose restriction is satisfied.

The Organization recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization recognizes expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue is recognized when earned.

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidating statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. Significant Accounting Policies: (continued)**

**(m) *Uncertain Tax Positions***

The consolidating financial statement effects of a tax position taken or expected to be taken are recognized in the consolidating financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are reported in expense in the consolidating statement of activities. As of December 31, 2018, Friends of Israel had no uncertain tax positions that qualify for recognition or disclosure in the consolidating financial statements.

**(n) *Advertising***

The Organization expenses advertising cost as incurred.

**(o) *Change in Accounting Principle***

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted presentation in these financial statements accordingly.

**(p) *Fair Value Measurement***

The Organization reports its fair value measurements using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels as of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

Continued



**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. Significant Accounting Policies: (continued)**

**(p) Fair Value Measurement (continued)**

Fair values of assets measured at December 31, 2018 are as follows:

<u>Recurring fair value measurement</u>	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</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>
<b>Investments</b>						
<b>Money market funds</b>	\$ 72,592	\$ 359	\$ 72,951	\$ 72,951		
<b>Certificate of deposit</b>	102,293		102,293	102,293		
<b>Mutual funds</b>						
Aggregate bonds	1,439,126		1,439,126	1,439,126		
Corporate bonds	308,309		308,309	308,309		
Moderate allocation	1,145,325		1,145,325	1,145,325		
Dynamic allocation	481,670		481,670	481,670		
Emerging market stock	140,482		140,482	140,482		
Floating rate		303,916	303,916	303,916		
Foreign bonds	308,112	480,694	788,806	788,806		
Foreign equity	1,380,950	162,477	1,543,427	1,543,427		
Global allocation	176,172	251,458	427,630	427,630		
Government bonds	92,325		92,325	92,325		
Growth broad market	235,197		235,197	235,197		
High yield bonds	837,918		837,918	837,918		
Value broad market	75,264	61,020	136,284	136,284		
Value large cap	358,678		358,678	358,678		
Total mutual funds	<u>6,979,528</u>	<u>1,259,565</u>	<u>8,239,093</u>	<u>8,239,093</u>	-	-
<b>Common stock</b>	6,670		6,670	6,670		
<b>U.S. Government securities</b>	29,044		29,044	29,044		
<b>State of Israel bonds</b>	365,436	146,600	512,036	-	\$ 512,036	
Total investments	<u>7,555,563</u>	<u>1,406,524</u>	<u>8,962,087</u>	<u>8,450,051</u>	512,036	
<b>Beneficial interest in trust</b>	187,252	-	187,252	-	187,252	
<b>Total</b>	<u>\$ 7,742,815</u>	<u>\$ 1,406,524</u>	<u>\$ 9,149,339</u>	<u>\$ 8,450,051</u>	<u>\$ 699,288</u>	<u>\$ -</u>

The following is a description of the valuation methodologies used for assets measured at fair value:

Common stock, mutual funds, and U.S. Government securities valuations are obtained from real-time quotes for transaction in active markets involving identical assets.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. Significant Accounting Policies: (continued)**

*(p) Fair Value Measurement (continued)*

The State of Israel bonds valuations are obtained from quoted market prices for similar investments, yield curves and other relevant information.

The beneficial interest in trust is measured using an income approach based on calculating the present value of the future distribution expected to be received.

*(q) Reclassification*

Expenses classified as Outreach ministry totaling \$4,195,120 in the prior-year Unconsolidated Schedule of Activities – FOI USA have been reclassified into Media ministry of \$1,369,046 and Publication ministry of \$2,826,074 for comparative purposes to conform to the presentation of the current-year financial statements.

**3. Restricted Cash:**

The balance of restricted cash consists of amount held for the following purposes:

Performance bond for construction project      \$ 50,112

In December 2016, Capital Bank of New Jersey issued a Letter of Credit to the Organization. The Letter of Credit is in favor of the Township of Deptford for the amount of the performance bond.

**4. Liquidity and Availability:**

The Friends of Israel Gospel Ministry Inc., (hereafter referred to as FOI) receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, FOI receives support without donor restrictions; such support has historically represented approximately 60% of annual funding needs, with the remainder funded by product sales, investment income without donor restrictions, appropriated interest earnings from gifts with donor restrictions and legacy gifts.

FOI considers income from product sales, investment income without donor restrictions, appropriated earnings from donor-restricted, legacy gifts, and board-designated funds, contributions with or without donor restrictions for use in current and integral programs to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, and fundraising expenses.

FOI manages its available cash to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term gift annuity commitments and obligations under support received with donor restrictions and board-designated funds that support mission fulfillment will continue to be met, ensuring the sustainability of FOI.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**4. Liquidity and Availability: (continued)**

The Board reviews and approves the operating budget for the succeeding fiscal year every fall. Due to this timing, FOI strives to maintain financial assets available, governed by FOI's financial and investment policies, to meet general expenditures at a level that represents 100% of administrative, general, and fundraising annual expenses.

The table below presents financial assets available for general expenditures within one year at December 31, 2018:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
<b>Financial assets:</b>			
Cash and cash equivalents	\$ 1,824,076	\$ 202,825	\$2,026,901
Accounts receivable	38,152		38,152
Investments	<u>7,555,563</u>	<u>1,406,254</u>	<u>8,961,817</u>
Total financial assets	<u>9,417,791</u>	<u>1,609,079</u>	<u>11,026,870</u>
<b>Donor-imposed conditions:</b>			
Designated funds not expected to utilized in one year	<u>(1,347,025)</u>	<u>-</u>	<u>(1,347,025)</u>
	<u>8,070,766</u>	<u>1,609,079</u>	<u>9,679,845</u>
<b>Internal designations:</b>			
Investments - annuity	(5,234,535)		(5,234,535)
Investments - trusts	(20,747)		(20,747)
Board designated - promissory	(344,560)		(344,560)
Deferred compensation	<u>(177,810)</u>		<u>(177,810)</u>
	<u>(5,777,652)</u>	<u>-</u>	<u>(5,777,652)</u>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<u>\$ 2,293,114</u>	<u>\$ 1,609,079</u>	<u>\$ 3,902,193</u>

**5. Inventory:**

Inventory consists of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Books and publications	\$ 184,275	\$ 14,400	\$ 198,675
Media	52,356	6,416	58,772
Other items	<u>52,737</u>	<u>10,272</u>	<u>63,009</u>
	<u>\$ 289,368</u>	<u>\$ 31,088</u>	<u>\$ 320,456</u>

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**6. Property Investment:**

In an agreement entered into during 2009, the Organization invested in a property in Israel that is owned by an employee but is used partially for ministry purposes. Under the agreement, the Organization agreed to provide funds for 50% of the down payment on the property and to reimburse for 50% of the monthly mortgage obligation on the property. The property investment asset amounted to \$0 at December 31, 2018, and represents the Organization's 50% interest in the cost basis of the property. The property investment obligation amounts to \$0 at December 31, 2018 and represents the estimated remaining obligation the Organization has made to reimburse for 50% of the monthly mortgage payments on the property.

**7. Investments:**

Investments consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Money market funds	\$ 72,592	\$ 359	\$ 72,951
Certificate of deposit	102,293		102,293
Mutual funds	6,979,528	1,259,565	8,239,093
Corporate stocks	6,670		6,670
U.S. Government securities	29,044		29,044
State of Israel bonds	365,436	146,600	512,036
Total	<u>\$ 7,555,563</u>	<u>\$ 1,406,524</u>	<u>\$ 8,962,087</u>

At year end, investments were held for the following purposes:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Annuity agreements	\$ 5,727,330		\$ 5,727,330
Trust agreements	457,018		457,018
Subtotal	<u>6,184,348</u>		<u>6,184,348</u>
Net assets without donor restrictions purposes	<u>1,371,215</u>	<u>\$ 1,406,524</u>	<u>2,777,739</u>
Total	<u>\$ 7,555,563</u>	<u>\$ 1,406,524</u>	<u>\$ 8,962,087</u>

The present value of the annuity agreements was determined by actuarial calculation and was based on the interest rates allowable for Single Stipulated Payment Immediate Annuities under standard valuation law.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. Investments: (continued)**

Investment income on investments held for unrestricted purposes consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Interest and dividends	\$ 80,871	\$ 41,598	\$ 122,469
Realized gain	22,369	77,044	99,413
Unrealized loss	(158,464)	(135,084)	(293,548)
Investment expenses	<u>                    </u>	<u>                    </u>	<u>-</u>
Total	<u>\$ (55,224)</u>	<u>\$ (16,442)</u>	<u>\$ (71,666)</u>

Investment income from investments held for annuities and trusts are reflected on the consolidating statement of activities as a component of the change in value of gift annuities and trusts consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
<b>Annuity reserve investments</b>			
Interest and dividends	\$ 299,477	\$ -	\$ 299,477
Realized gain	125,333		125,333
Unrealized loss	<u>(682,563)</u>	<u>                    </u>	<u>(682,563)</u>
Subtotal	<u>(257,753)</u>	<u>\$ -</u>	<u>\$ (257,753)</u>
<b>Trust agreements</b>			
Interest and dividends	24,737	\$ -	\$ 24,737
Unrealized loss	<u>(39,598)</u>	<u>                    </u>	<u>(39,598)</u>
Subtotal	<u>(14,861)</u>	<u>                    </u>	<u>(14,861)</u>
Total	<u>\$ (272,614)</u>	<u>\$ -</u>	<u>\$ (272,614)</u>

Management of the Organization believes that the organization is in full compliance with the New Jersey Uniform Prudent Management of Institutional Funds Act and the three areas of fiduciary responsibility attributed to the organization and its Board in the handling of invested funds. The Organization has acted in a deliberate and prudent manner in the selection of its investment advisor and avoids conflicts of interest between the organization, Board, and investment advisor. The Organization maintains written policies and procedures setting forth appropriate investment policy. Finally, there are regular reviews and reporting of the performance of the invested funds reflecting comparison to accepted performance standards.

**8. Beneficial Interest in Perpetual Trust:**

The Organization is a 30% beneficiary of a trust held in perpetuity by an independent trustee. Based on the information available, which includes the applicable trust or other distribution documents and the latest available asset valuations, the present value of future distributions was determined and included in the consolidating financial statements in the amount of \$187,252 at December 31, 2018.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**9. Lands, Buildings and Equipment:**

Property and equipment consists of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Land	\$ 629,330		\$ 629,330
Land improvements	1,031,466		1,031,466
Buildings	5,144,969		5,144,969
Furniture and fixtures	288,285	\$ 14,123	302,408
Equipment and vehicles	1,138,642	75,200	1,213,842
Subtotal	<u>8,232,692</u>	<u>89,323</u>	<u>8,322,015</u>
Less: Accumulated depreciation	<u>(4,588,130)</u>	<u>(76,729)</u>	<u>(4,664,859)</u>
Subtotal	<u>3,644,562</u>	<u>12,594</u>	<u>3,657,156</u>
Construction in progress	<u>2,771,449</u>	<u>-</u>	<u>2,771,449</u>
Total	<u>\$ 6,416,011</u>	<u>\$ 12,594</u>	<u>\$ 6,428,605</u>

Depreciation expense was \$283,069 for the year ended December 31, 2018.

Management has reviewed the assets held in other countries and, in its opinion, has determined that they are under the control and ownership of The Friends of Israel. While for this reason such items are recognized as assets of the Organization, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while the Organization believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the assets be sold.

**10. Deferred Compensation:**

The Organization has entered into a deferred compensation agreement with one of its former executive directors (and emeritus board member). The annual payout is based on a rate of 43% of the year 2000 salary level of \$98,500 beginning on the first month subsequent to retirement and continues until his passing with no survivor payout. The present value of that obligation is \$177,810 as of December 31, 2018. Beginning in February 2011 the Organization began paying the deferred compensation to this former executive director. These payments amounted to \$42,360 for year ended December 31, 2018.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**11. Notes and Mortgage Payable:**

FOI - USA

Promissory notes ranging from \$2,000 to \$100,000 with interest at 5.00% are secured by the net assets of the Organization. A board-designated debt retirement fund has been established toward the payment of the notes as they come due. (See Note 10) Interest is payable semiannually, quarterly and monthly depending on the specific terms of each outstanding note. The notes are due according to the schedule below, but are payable on demand, in part or in whole, upon 30 days' notice.

\$ 1,722,800

Mortgage loan payable to a bank at 4.50% interest, secured by property. The loan is dated April 30, 2013, and converted to a fully amortizing 10 year term loan in January 2014 with monthly payment of principal and interest of \$11,436 until maturity in December 2023.

602,340

Less: Unamortized issuance cost

(8,886)

593,454

On January 6, 2017, the Organization entered into a construction loan with Capital Bank of New Jersey. This agreement enables the Organization to borrow up to a ceiling of \$2,100,000 for the purpose of expanding the Organization's International Headquarters building. The construction loan is secured by a first mortgage interest in the buildings and equipment of the Organization. the initial interest rate on the loan is 3.99%. the balance of the construction loan is due and payable in full on January 5, 2023.

1,201,125

Less: Unamortized issuance cost

(18,464)

1,182,661

\$ 3,498,915

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**11. Notes and Mortgage Payable: (continued)**

A schedule of future minimum principal payments is as follows:

	Notes Payable	Mortgage Payable	Construction Loan	Total
2019	\$ 371,000	\$ 110,306	\$ 259,826	\$ 741,132
2020	172,800	115,465	270,582	558,847
2021	368,000	120,990	281,990	770,980
2022	449,793	126,710	293,764	870,267
2023	361,207	119,983	76,499	557,689
Thereafter	-	-	-	-
	<u>\$ 1,722,800</u>	<u>\$ 593,454</u>	<u>\$ 1,182,661</u>	<u>\$ 3,498,915</u>

As of December 31, 2018, the Organization was in compliance with all debt covenants.

**12. Board-Designated Net Assets:**

The governing board of the Organization has designated 20% of the proceeds from the issuance of promissory notes to be kept in escrow to be used for interest and debt repayment. The balance of the reserve is not to go below one year's interest obligation. The balance of the board-designated reserve was \$344,560 at December 31, 2018.

**13. Net Assets with Donor Restrictions:**

Changes in net assets with donor restrictions consist of the following for the year ended December 31, 2018:

	12/31/2017 Balance	Contributions	Change in Actuarial Value	Releases	12/31/2018 Balance
<i>Subject to expenditure for specified purposes:</i>					
Annuity reserves required					
by state law (10%)	\$ 541,588			\$ (48,793)	\$ 492,795
Remainder trusts	477,765		\$ (17,431)		460,334
International ministry projects	1,188,555	\$ 1,199,784		(972,941)	1,415,398
Jerusalem building projects	2,300	47,531		(49,831)	-
Conferences and special functions	3,933			(3,933)	-
Argentina Clinic	81,775				81,775
Capital campaign	1,410,375	568,880	(3,887)		1,975,368
Missionary support	181,003	231,688		(206,481)	206,210
Relief funds	234,820	527,982	(3,480)	(506,833)	252,489
Publications	-	239,512		(239,512)	-
Subtotal - expenditure for specified purpose	<u>4,122,114</u>	<u>2,815,377</u>	<u>(24,798)</u>	<u>(2,028,324)</u>	<u>4,884,369</u>
<i>Subject to the passage of time:</i>					
Legacies receivable - time restriction	118,005			(118,005)	-
Subtotal - passage of time	<u>118,005</u>	<u>-</u>		<u>(118,005)</u>	<u>-</u>
Total	<u>\$ 4,240,119</u>	<u>\$ 2,815,377</u>	<u>\$ (24,798)</u>	<u>\$ (2,146,329)</u>	<u>\$ 4,884,369</u>

Continued



**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**14. Pension Plan:**

The Organization maintains a 401(k) retirement plan for eligible employees who work 1,000 hours or more during the year and have been with the organization for more than one year. Participants in the plan vest over a six year period. Each year, the Organization makes a discretionary contribution to the plan for each eligible employee (an amount equal to 10% of an employee's gross earnings for year ending December 31, 2018. The contribution to the plan for the year ending December 31, 2018 was \$340,761 for FOI-USA and \$26,474 for FOI-Canada. The amount of accrued retirement expense for the year is funded in annual contributions to the plan.

The Organization also funds individual retirement accounts for qualified foreign national workers who are not eligible to participate in the 401(k) plan. The contribution to the plan for the year ending December 31, 2018 \$85,171. The amount of accrued retirement expense for the year is funded by the Organization in annual contributions to the accounts.

**15. Income Status:**

As a charity, the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have any income from unrelated business activities and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidating financial statements.

The Organization's payroll tax returns, for the years ending 2016, 2017, and 2018, are subject to examination by the IRS, generally for three years after they were filed.

**16. Commitment:**

On December 26, 2016 the Organization entered into an agreement with a general contractor for \$1,762,000 for their building expansion project. As of December 31, 2018, the amount outstanding was \$135,349.

**17. Functional Allocation of Expenses:**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**18. Operating Lease:**

FOI Canada has entered into a non-cancelable operating lease for office space that expires on January 31, 2022. The lease contains a renewal option for a five year period and requires FOI Canada to pay all executor costs such as taxes, maintenance, and insurance. Rental expense for the lease consisted of \$33,921 for the year ended December 31, 2018.

Continued

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATES**

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**18. Operating Lease: (continued)**

Future minimum lease payments under the operating lease as of December 31, 2018 are:

Year Ending December 31:	
2019	\$ 32,819
2020	32,819
2021	32,819
2022	<u>2,735</u>
	<u>\$ 101,192</u>

**19. Subsequent Events:**

Events occurring after December 31, 2018 have been evaluated for possible adjustments to the consolidated financial statements or disclosure through July 15, 2019, which is the date on which the consolidated financial statements were available to be issued.

On March 1, 2019, FOI-USA entered into a contract to purchase property for \$199,250.

On June 28, 2018, FOI-USA entered into a contract to sell that property for \$267,500 and estimates the loss on the sale to be approximately \$38,000.

Concluded

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF FINANCIAL POSITION – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,824,076	\$ 1,565,076
Accounts and other receivables (Note 2d)	165,382	162,156
Legacies receivable (Note 4)	-	118,005
Inventory (Note 5)	289,368	291,719
Prepaid expenses	309,543	262,386
Restricted cash (Note 3)	50,112	50,037
Investment (Note 7)	7,555,563	8,945,387
Property investment (Note 6)	167,873	167,873
Beneficial interest in trust (Note 8)	187,252	191,417
Construction in progress	2,771,449	1,659,094
Property and equipment, net (Note 9)	<u>3,644,562</u>	<u>3,900,357</u>
Total assets	<u>\$ 16,965,180</u>	<u>\$ 17,313,507</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 803,385	\$ 733,917
Deferred compensation (Note 10)	177,810	195,761
Deferred revenue	481,014	139,187
Notes payable (Note 11)	1,722,800	1,890,800
Mortgage payable (Note 11)	1,776,115	1,356,189
Property investment obligations	-	26,315
Annuities payable	4,927,945	5,415,878
Revocable trust agreements	41,856	44,009
Irrevocable trust agreements	<u>142,081</u>	<u>161,203</u>
Total liabilities	<u>10,073,006</u>	<u>9,963,259</u>
Net Assets:		
Without donor restrictions		
Undesignated	1,663,245	2,731,969
Designated by governing board as reserve for:		
Debt retirement (Note 12)	<u>344,560</u>	<u>378,160</u>
Total net assets without donor restrictions	2,007,805	3,110,129
With donor restrictions	<u>4,884,369</u>	<u>4,240,119</u>
Total net assets	<u>6,892,174</u>	<u>7,350,248</u>
Total liabilities and net assets	<u>\$ 16,965,180</u>	<u>\$ 17,313,507</u>

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	
			<u>2018</u>	<u>2017</u>
<b>SUPPORT AND REVENUE</b>				
<b>Support:</b>				
General ministry contributions	\$ 4,727,157	\$ 47,531	\$ 4,774,688	\$ 4,590,361
North American ministry contributions	1,527,056	231,688	1,758,744	1,550,083
International ministry contributions	530,600	1,199,784	1,730,384	1,529,776
Relief ministry contributions		527,982	527,982	541,384
Institute of Jewish Studies	10		10	17,912
Gift portion of annuities	185,219		185,219	136,886
Legacies	1,459,365		1,459,365	1,104,259
Publication contributions		239,512	239,512	148,938
Capital campaign		568,880	568,880	896,102
Gift-in-kind	4,287		4,287	11,688
Total support	<u>8,433,694</u>	<u>2,815,377</u>	<u>11,249,071</u>	<u>10,527,389</u>
<b>Revenue:</b>				
Ministry, publications, audio and video	841,908		841,908	1,085,995
Conference and special functions	159,714		159,714	135,406
Interest and dividends	80,871		80,871	72,145
Other revenue	3,088		3,088	17,261
Total revenue	<u>1,085,581</u>	<u>-</u>	<u>1,085,581</u>	<u>1,310,807</u>
Total support and revenue	<u>9,519,275</u>	<u>2,815,377</u>	<u>12,334,652</u>	<u>11,838,196</u>
<b>RECLASSIFICATIONS:</b>				
Satisfaction of restriction (Note 11)	<u>2,146,329</u>	<u>(2,146,329)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
<b>Program services:</b>				
Media ministries	1,333,149		1,333,149	1,369,046
Publication ministries	2,464,716		2,464,716	2,826,074
North American ministries	2,134,261		2,134,261	2,187,481
International ministries	2,348,311		2,348,311	2,006,470
Relief ministries	506,098		506,098	555,448
Institute of Jewish Studies	59,347		59,347	201,806
Conference and special functions	724,688		724,688	459,117
Total program services	<u>9,570,570</u>	<u>-</u>	<u>9,570,570</u>	<u>9,605,442</u>
<b>Supporting activities:</b>				
Management and general	1,975,353		1,975,353	2,003,193
Stewardship and fundraising	673,352		673,352	549,299
Total supporting services	<u>2,648,705</u>	<u>-</u>	<u>2,648,705</u>	<u>2,552,492</u>
Total expenses	<u>12,219,275</u>	<u>-</u>	<u>12,219,275</u>	<u>12,157,934</u>
Change in Net Assets Before Other Changes	(553,671)	669,048	115,377	(319,738)

Schedule 2 (continued)

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	<b>WITHOUT DONOR WITH DONOR</b>		<b>TOTAL</b>	
	<b><u>RESTRICTIONS</u></b>	<b><u>RESTRICTIONS</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Change in Net Assets Before Other Changes	\$ (553,671)	\$ 669,048	\$ 115,377	\$ (319,738)
<b>OTHER CHANGES IN NET ASSETS</b>				
Realized and unrealized gain(loss) on investments	(136,095)		(136,095)	139,117
Change in actuarial value of gift annuities and trusts	<u>(412,558)</u>	<u>(24,798)</u>	<u>(437,356)</u>	<u>375,250</u>
Total other changes in net assets	(548,653)	(24,798)	(573,451)	514,367
<b>Change in Net Assets</b>	(1,102,324)	644,250	(458,074)	194,629
<b>Net Assets, Beginning of Year</b>	<u>3,110,129</u>	<u>4,240,119</u>	<u>7,350,248</u>	<u>7,155,619</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,007,805</u>	<u>\$ 4,884,369</u>	<u>\$ 6,892,174</u>	<u>\$ 7,350,248</u>

**THE FRIENDS OF ISRAEL GOSPEL MINISTRY, INC. AND AFFILIATE IN ARGENTINA**

**UNCONSOLIDATED SCHEDULE OF CASH FLOWS – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (458,074)	\$ 194,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	296,002	269,666
Realized and unrealized gain on investments	728,995	(773,062)
Gain on disposal of fixed asset	17,248	-
Actuarial change in value of annuities, net payments	158,785	552,047
Change in value of irrevocable trusts	13,266	(23,123)
Change in value of beneficial interest in trust	4,165	(5,820)
Contributions restricted for capital renovations	(568,880)	(896,102)
Changes in:		
Accounts and other receivables	(3,224)	137,295
Legacies receivable	118,005	(6,005)
Inventory	2,351	(3,227)
Prepaid expenses	(47,157)	35,770
Restricted cash	(75)	64,028
Accounts payable and accrued expenses	69,468	108,231
Deferred compensation	(17,951)	(18,886)
Deferred revenue	341,827	139,187
Net cash provided by operating activities	<u>654,751</u>	<u>(225,372)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from contributions restricted for capital renovations	568,880	896,102
Proceeds from the sale of investments	3,344,536	5,199,894
Purchase of investments	(2,683,708)	(3,680,476)
Purchase of property and equipment	(57,456)	(433,731)
Purchase of construction in progress	(1,112,355)	(1,285,578)
Net cash provided (used) by investing activities	<u>59,897</u>	<u>696,211</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	715,968	726,574
Payment of notes and mortgage	(490,357)	(282,310)
Payment of capital leases	-	-
Payment on annuity and irrevocable trusts agreements	(838,948)	(899,368)
Face value of new annuities, net of contribution	192,230	262,607
Investment loss on irrevocable trust assets	(34,541)	(18,184)
Net cash used by financing activities	<u>(455,648)</u>	<u>(210,681)</u>
<b>Change in cash and cash equivalents</b>	259,000	260,158
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,565,076</u>	<u>1,304,918</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,824,076</u>	<u>\$ 1,565,076</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest on debt - non capitalized	<u>\$ 157,058</u>	<u>\$ 138,652</u>
Noncash transactions:		
Donated securities	<u>\$ 147,574</u>	<u>\$ 66,821</u>