

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

CONSOLIDATING FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

For the Year Ended  
December 31, 2019

\* \* \*

**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, 2019, and the related consolidating statements of activity, statement of cash flows, and statement of functional expenses 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 \$2,075,904 (CAD\$) as of December 31, 2019, and total revenues of \$1,163,117 (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, 2019, 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 22, 2020

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,593,735	\$ 59,066		\$ 1,652,801
Accounts receivable (Note 2d)	98,215	77	\$ (89,200)	9,092
Due from taxing authority		19,956		19,956
Legacies receivable (Note 4)	130,833			130,833
Inventory (Note 6)	357,471	32,093		389,564
Prepaid expenses	296,544	12,401		308,945
Restricted cash (Note 3)	6,255			6,255
Investments (Note 8)	7,126,083	1,461,459		8,587,542
Property investment (Note 7)	167,873			167,873
Beneficial interest in trust (Note 9)	261,006			261,006
Property and equipment, net (Note 10)	<u>6,194,767</u>	<u>13,187</u>		<u>6,207,954</u>
Total assets	<u>\$ 16,232,782</u>	<u>\$ 1,598,239</u>		<u>\$ 17,741,821</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 1,203,786	\$ 107,227	\$ (89,200)	\$ 1,221,813
Deferred compensation (Note 11)	176,807			176,807
Deferred revenue	499,227	48,368		547,595
Notes payable (Note 12)	1,656,800			1,656,800
Mortgage payable (Note 12)	1,397,758			1,397,758
Annuities payable	4,779,926			4,779,926
Revocable trust agreements	45,064			45,064
Irrevocable trust agreements	<u>151,309</u>			<u>151,309</u>
Total liabilities	<u>9,910,677</u>	<u>155,595</u>		<u>\$ 9,977,072</u>
Net assets:				
Without Donor Restriction				
Undesignated	3,167,076	1,442,644		4,609,720
Designated by governing board as reserve for:				
Debt retirement (Note 13)	<u>331,360</u>			<u>331,360</u>
Total unrestricted net assets	3,498,436	1,442,644		4,941,080
With Donor Restriction				
Purpose and time restricted	<u>2,823,669</u>			<u>2,823,669</u>
Total net assets	<u>6,322,105</u>	<u>1,442,644</u>		<u>7,764,749</u>
Total liabilities and net assets	<u>\$ 16,232,782</u>	<u>\$ 1,598,239</u>		<u>\$ 17,741,821</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, 2019**

	FOI - USA			FOI - CANADA	INTERCOMPANY	TOTAL
	Without Donor Restrictions	With Donor Restricted	Total	Without Donor Restrictions	ELIMINATIONS	
<b>Support and Revenue:</b>						
Support:						
General ministry contributions	\$ 4,670,524	\$ 49,763	\$ 4,720,287	\$ 482,910		\$ 5,203,197
North American ministry contributions	120,962	1,744,689	1,865,651	168,165		2,033,816
Foreign ministry contributions	533,908	1,060,431	1,594,339			1,594,339
Relief ministry contributions		571,029	571,029			571,029
Gift portion of annuities	196,133		196,133			196,133
Legacies	619,165	130,832	749,997	81,211		831,208
Publication contributions		92,420	92,420			92,420
Capital campaign		367,575	367,575			367,575
Gifts-in-kind	36,427		36,427	14,929		51,356
Total support	<u>6,177,119</u>	<u>4,016,739</u>	<u>10,193,858</u>	<u>747,215</u>		<u>10,941,073</u>
Revenue:						
Ministry publications, audio, and video	1,011,715		1,011,715	72,339		1,084,054
Conference and special functions	150,311		150,311	28,985		179,296
Interest and dividends	47,642		47,642	28,248		75,890
Other revenue	(30,489)		(30,489)	96		(30,393)
Total revenue	<u>1,179,179</u>	<u>-</u>	<u>1,179,179</u>	<u>129,668</u>		<u>1,308,847</u>
Total support and revenue	<u>7,356,298</u>	<u>4,016,739</u>	<u>11,373,037</u>	<u>876,883</u>		<u>12,249,920</u>
<b>Reclassifications:</b>						
Satisfaction of restrictions (Note 13)	<u>6,203,541</u>	<u>(6,203,541)</u>	<u>-</u>	<u>-</u>		<u>-</u>
<b>Expenses:</b>						
Program services						
Outreach ministries	1,410,954		1,410,954	257,758		1,668,712
Publication ministries	2,104,237		2,104,237			2,104,237
North American ministries	2,348,920		2,348,920	371,004		2,719,924
Foreign ministries	2,159,064		2,159,064			2,159,064
Relief ministries	576,173		576,173			576,173
Institute of Jewish Studies	6,088		6,088			6,088
Conference and special functions	620,829		620,829	80,362		701,191
Total program services	<u>9,226,265</u>		<u>9,226,265</u>	<u>709,124</u>		<u>9,935,389</u>
Supporting services:						
Management and general	2,111,660		2,111,660	314,457		2,426,117
Stewardship and fundraising	637,673		637,673	89,246		726,919
Total supporting services	<u>2,749,333</u>	<u>-</u>	<u>2,749,333</u>	<u>403,703</u>		<u>3,153,036</u>
Total expenses	<u>11,975,598</u>	<u>-</u>	<u>11,975,598</u>	<u>1,112,827</u>		<u>13,088,425</u>
<b>Change in Net Assets Before Other Changes</b>	<u>1,584,241</u>	<u>(2,186,802)</u>	<u>(602,561)</u>	<u>(235,944)</u>	<u>-</u>	<u>(838,505)</u>

4.

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

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

	FOI - USA			FOI - CANADA	INTERCOMPANY ELIMINATIONS	TOTAL
	Without Donor Restrictions	With Donor Restricted	Total	Without Donor Restrictions		
<b>Change in Net Assets Before Other Changes</b>	1,584,241	(2,186,802)	(602,561)	(235,944)	-	(838,505)
Other Changes in Net Assets						
Realized and unrealized gain on investments	153,127		153,127	114,274		267,401
Change in actuarial value of gift annuities and trust	353,263	126,102	479,365			479,365
Grant for capital project in Jerusalem	(600,000)		(600,000)			(600,000)
Gain on foreign currency translation			-	72,364		72,364
Total other changes in net assets	<u>(93,610)</u>	<u>126,102</u>	<u>32,492</u>	<u>186,638</u>		<u>219,130</u>
<b>Change in Net Assets</b>	1,490,631	(2,060,700)	(570,069)	(49,306)		(619,375)
<b>Net Assets at Beginning of Year</b>	2,007,805	4,884,369	6,892,174	1,491,950		8,384,124
<b>Net Assets at End of Year</b>	<u>\$ 3,498,436</u>	<u>\$ 2,823,669</u>	<u>\$ 6,322,105</u>	<u>\$ 1,442,644</u>	<u>\$ -</u>	<u>\$ 7,764,749</u>

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

**CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019**

	<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	\$ (570,069)	\$ (49,306)		\$ (619,375)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	339,782	6,041		345,823
Realized and unrealized gain on investments	(700,366)	(114,274)		(814,640)
Loss on disposal of fixed asset	42,357			42,357
Actuarial change in value of annuities, net payments	397,766			397,766
Change in value of irrevocable trusts	(36,133)			(36,133)
Change in value of beneficial interest in trust	(73,754)			(73,754)
Contributions restricted for capital renovations	(367,375)			(367,375)
Changes in:				
Accounts and other receivable	67,167	(881)	\$ 89,200	155,486
Legacies receivable	(130,833)			(130,833)
Inventory	(68,103)	548		(67,555)
Prepaid expenses	12,999	(8,343)		4,656
Restricted cash	43,857			43,857
Accounts payable and accrued expenses	400,401	(41,050)	(89,200)	270,151
Deferred compensation	(1,003)			(1,003)
Deferred revenue	18,213	5,207		23,420
Net cash provided (used) by operating activities	<u>(625,094)</u>	<u>(202,058)</u>	<u>-</u>	<u>(827,152)</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from contributions restricted for capital renovations	367,375			367,375
Proceeds from sale of investments	2,985,128	1,686,554		4,671,682
Proceeds from the sale of fixed assets	253,151			253,151
Purchase of investments	(1,855,282)	(1,552,966)		(3,408,248)
Purchase of property and equipment	(414,046)	(5,999)		(420,045)
Net cash provided (used) by investing activities	<u>1,336,326</u>	<u>127,589</u>	<u>-</u>	<u>1,463,915</u>
<b>Cash Flows from Financing Activities:</b>				
Payment of notes and mortgage	(444,357)			(444,357)
Payment on annuity and irrevocable trust agreements	(782,711)			(782,711)
Face value of new annuities, net of contribution	236,926			236,926
Investment income (loss) on irrevocable trust assets	48,569	-		48,569
Net cash used by financing activities	<u>(941,573)</u>	<u>-</u>		<u>(941,573)</u>
<b>Effect of Exchange Rate Changes on Cash</b>		(69,290)		(69,290)
<b>Change in Cash and Cash Equivalents</b>	(230,341)	(143,759)		(374,100)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,824,076</u>	<u>202,825</u>		<u>2,026,901</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>1,593,735</u>	<u>\$ 59,066</u>		<u>1,652,801</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, 2019**

	<u>FOI - USA</u>
<b>Supplemental Disclosures of Cash Flow Information</b>	
Cash paid for interest on debt - non capitalized	<u>\$ 139,259</u>
Non-cash investing transactions:	
Donated securities	<u>\$ 184,253</u>

See notes to the financial statements.

Exhibit C (concluded)

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

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	FOI - USA					FOI - Canada				Total Program
	Outreach Ministries	Publication Ministries	North American Ministries	Inter- national Ministries	Relief Ministries	Education Conferences and Other Ministries	Outreach Ministries	Canada Ministries	Education Conferences and Other Ministries	
Ministry expenditures	\$ 272,942		\$ 265,923	\$ 927,262	\$ 576,173	\$ (127)				\$ 2,042,173
Salaries	630,392	\$ 384,773	1,320,918	1,301,964		119,129	\$ 15,550	\$ 237,393		4,010,119
Payroll taxes	43,358	25,980	30,907	44,825		2,531		28,326		175,927
Pension	61,392	28,760	126,178	118,040		11,597				345,967
Other staff benefits	162,184	102,431	265,306	68,447		15,694				614,062
Professional fees	5,822	804	2,472	19,286		1,900				30,284
Advertising	10,710	13,386				69,531		113	\$ 4,135	97,875
Postage and mailings	177	627,451	7,415	7,645		30,184				672,872
Office supplies and services	15,780	26,862	25,149	24,349		2,580	26,516	13,147	4,594	138,977
Bank Fees										-
Information technology	5,028	1,841	10,182	18,659		1,467	226	2,567		39,970
∞ Royalties	958	18,283								19,241
Occupancy	88,793	15,088	14,632	12,016		45	12,718	534		143,826
Travel	847	4,914	161,851	54,090		80,713		53,976	11,554	367,945
Conference, conventions, meetings			15,253			291,441		3,484	59,756	369,934
Interest										-
Insurance	25,133	25,133	9,452	8,313						68,031
Currency exchange rate adjustments				53,888						53,888
Cost of goods sold	57,218	811,781		71,828			202,748			1,143,575
Training	10,872	923	4,669	612				241		17,317
Miscellaneous	3,521		2,041			232		31,223	323	37,340
Depreciation	15,827	15,827	86,572	27,840						146,066
	<u>\$ 1,410,954</u>	<u>\$ 2,104,237</u>	<u>\$ 2,348,920</u>	<u>\$ 2,759,064</u>	<u>\$ 576,173</u>	<u>\$ 626,917</u>	<u>\$ 257,758</u>	<u>\$ 371,004</u>	<u>\$ 80,362</u>	<u>\$ 10,535,389</u>

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

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	FOI - USA			FOI - Canada		Total	
	Total Program	Management and General	Fund- raising	Management and General	Fund- raising	Supporting Services	Total
Ministry expenditures	\$ 2,042,173	\$ 5,109	-			\$ 5,109	\$ 2,047,282
Salaries	4,010,119	673,286	\$ 290,449	\$ 145,226	\$ 53,897	1,162,858	5,172,977
Payroll taxes	175,927	44,135	22,007	14,098	8,611	88,851	264,778
Pension	345,967	107,595	27,402			134,997	480,964
Other staff benefits	614,062	205,664	62,523			268,187	882,249
Professional fees	30,284	168,563	28,513	29,143	754	226,973	257,257
Advertising	97,875					-	97,875
Postage and mailings	672,872	39,479	4,212			43,691	716,563
Office supplies and services	138,977	58,922	7,757	27,752	2,484	96,915	235,892
Bank fees	-	88,493				88,493	88,493
Information technology	39,970	124,840	3,163	10,766		138,769	178,739
Royalties	19,241					-	19,241
Occupancy	143,826	151,800	18,219	37,255	94	207,368	351,194
Travel	367,945	93,040	140,697	8,959	22,455	265,151	633,096
Conference, conventions, meetings	369,934	514		4,822		5,336	375,270
Interest	-	139,259				139,259	139,259
Insurance	68,031	25,851		2,947		28,798	96,829
Currency exchange rate adjustments	53,888			12,213		12,213	66,101
Cost of goods sold	1,143,575			11,179		11,179	1,154,754
Training	17,317	15,899	1,801	3,515		21,215	38,532
Miscellaneous	37,340	1,213	5,212	540	951	7,916	45,256
Depreciation	146,066	167,998	25,718	6,042		199,758	345,824
	<u>\$ 10,535,389</u>	<u>\$ 2,111,660</u>	<u>\$ 637,673</u>	<u>\$ 314,457</u>	<u>\$ 89,246</u>	<u>\$ 3,153,036</u>	<u>\$ 13,688,425</u>

Exhibit D (concluded)

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

### **NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2019**

#### **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 mission at The Friends of Israel Gospel Ministry, Inc., is focused – we are a worldwide evangelical ministry proclaiming biblical truth about Israel and the Messiah, while bringing physical and spiritual comfort to 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 The 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 monthly 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, 2019**

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

(d) *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances totaling \$9,092 at December 31, 2019. Management believes all receivable balances are collectible; therefore, no provision for uncollectible accounts was made.

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Account receivable - bookstore	\$ 6,176	\$ 77	\$ 6,253
Notes receivable - employee	2,839		2,839
U.S./Canadian receivable	<u>89,200</u>		<u>89,200</u>
Total receivables	<u>98,215</u>	<u>77</u>	<u>98,292</u>
Less intercompany receivable	<u>(89,200)</u>		<u>(89,200)</u>
Total receivables	<u>\$ 9,015</u>	<u>\$ 77</u>	<u>\$ 9,092</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.

Investment income is reported in the statement of activities net external and direct internal investment expenses. The investment income from annuity investments are reported in the consolidated financial statements 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, 2019**

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. The 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, 2019, 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, 2019**

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.

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

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the condition on which they depend have been substantially met.

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 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.

The Organization recognizes revenue from subscriptions during year in which the respective issue of the Israel My Glory is delivered to the customer. The performance obligation of delivering 6 issues of the publication each year is satisfied as each publication is issued, consequently the organization recognizes revenue ratably over the course year as each issue is published. The sale of books, literature, and other items are recognized at a point in time when the ordered product is delivered to the customer.

(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, 2019, Friends of Israel had no uncertain tax positions that qualify for recognition or disclosure in the consolidating financial statements.

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

(n) *Advertising*

The Organization expenses advertising cost as incurred.

(o) *Change in Accounting Principle*

The Organization has adopted Accounting Standard Update (ASU) No. 2014-09 - *Revenue from contracts with Customers (Topic 606)* as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has adopted Standard Update (ASU) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization's evaluation of the provisions of this standard on a modified prospective basis resulted in no significant change in the way the Organization recognized contributions.

(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;

Continued



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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

(p) *Fair Value Measurement* (continued)

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).

Fair values of assets measured at December 31, 2019 are as follows:

<u>Recurring fair value measurement</u>	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>						
<b>Money market funds</b>	\$ 79,374	\$ 28,150	\$ 107,524	\$ 107,524		
<b>Certificate of deposit</b>	102,840	193,287	296,127		\$ 102,840	
<b>Mutual funds</b>						
Aggregate bonds	1,087,758		1,087,758	1,087,758		
Canadian equity		8,088	8,088	8,088		
Corporate bonds	307,620		307,620	307,620		
Moderate allocation	823,196		823,196	823,196		
Dynamic allocation	534,045		534,045	534,045		
Emerging market stock	176,861		176,861	176,861		
Foreign bonds	309,731	254,038	563,769	563,769		
Foreign equity	1,557,689		1,557,689	1,557,689		
Global allocation	180,624		180,624	180,624		
Government bonds	93,442		93,442	93,442		
Growth broad market	199,122		199,122	199,122		
High yield bonds	886,133		886,133	886,133		
Value broad market	19,002		19,002	19,002		
Value large cap	426,937		426,937	426,937		
Total mutual funds	<u>6,602,160</u>	<u>262,126</u>	<u>6,864,286</u>	<u>6,864,286</u>	<u>102,840</u>	<u>-</u>
<b>Common Stock - U.S.</b>		212,058	212,058	212,058		
<b>Common Stock - Canada</b>		271,849	271,849	271,849		
<b>Common Stock - International</b>		174,176	174,176	174,176		
<b>U.S. Government securities</b>	25,409		25,409	25,409		
<b>Canadian government securities</b>		143,130	143,130			
<b>Corporate bonds</b>		99,693	99,693			
<b>State of Israel bonds</b>	316,300	76,990	393,290		\$ 393,290	
Total investments	<u>7,126,083</u>	<u>1,461,459</u>	<u>8,587,542</u>	<u>7,655,302</u>	<u>598,970</u>	
<b>Beneficial interest in trust</b>	261,006	-	261,006	-	261,006	
<b>Total</b>	<u>\$ 7,387,089</u>	<u>\$ 1,461,459</u>	<u>\$ 8,848,548</u>	<u>\$ 7,655,302</u>	<u>\$ 859,976</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, 2019**

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.

3. **Restricted Cash:**

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

Performance bond for construction project	<u>\$ 6,255</u>
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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. **Legacies Receivable:**

Legacies receivable as of December 31, 2019 consist of the following:

Time Restriction:

Unconditional promises to be collected in less than one year	<u>\$ 130,833</u>
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5. **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.

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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.

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, 2019:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Financial assets:			
Cash and cash equivalents	\$ 1,593,735	\$ 59,066	\$ 1,652,801
Accounts receivable	9,015	77	9,092
Legacies receivable	130,833		130,833
Investments	<u>7,126,083</u>	<u>1,461,459</u>	<u>8,587,542</u>
Total financial assets	<u>8,859,666</u>	<u>1,520,602</u>	<u>10,380,268</u>
Donor-imposed conditions:			
Designated funds not expected to utilized in one year	<u>(1,139,709)</u>	<u>-</u>	<u>(1,139,709)</u>
Net financial assets after donor- imposed restrictions	<u>7,728,957</u>	<u>1,520,602</u>	<u>9,249,559</u>
Internal designations:			
Investments - annuity	(5,178,788)		(5,178,788)
Investments - trusts	(64,634)		(64,634)
Board designated - promissory	(331,360)		(331,360)
Deferred compensation	<u>(176,807)</u>		<u>(176,807)</u>
	<u>(5,751,589)</u>	<u>-</u>	<u>(5,751,589)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,977,368</u>	<u>\$ 1,520,602</u>	<u>\$ 3,497,970</u>

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**6. Inventory:**

Inventory consists of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Books and publications	\$ 240,881	\$ 14,432	\$ 255,313
Media	50,533	5,745	56,278
Other items	<u>66,057</u>	<u>11,916</u>	<u>77,973</u>
	<u>\$ 357,471</u>	<u>\$ 32,093</u>	<u>\$ 389,564</u>

**7. 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 \$167,873 at December 31, 2019, and represents the Organization's 50% interest in the cost basis of the property. The property investment obligation amounts to \$0 at December 31, 2019 and represents the estimated remaining obligation the Organization has made to reimburse for 50% of the monthly mortgage payments on the property.

**8. Investments:**

Investments consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Money market funds	\$ 79,374	\$ 28,150	\$ 107,524
Certificate of deposit	102,840	193,287	296,127
Mutual funds	6,602,160	262,126	6,864,286
Corporate stocks		658,083	658,083
U.S. Government securities	25,409		25,409
Canadian government securities		143,130	143,130
Corporate bonds		99,693	99,693
State of Israel bonds	<u>316,300</u>	<u>76,990</u>	<u>393,290</u>
Total	<u>\$ 7,126,083</u>	<u>\$ 1,461,459</u>	<u>\$ 8,587,542</u>

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

8. **Investments:** (continued)

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

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Annuity agreements	\$ 5,657,501		\$ 5,657,501
Trust agreements	<u>505,587</u>		<u>505,587</u>
Subtotal	<u>6,163,088</u>		<u>6,163,088</u>
Net assets without donor restrictions purposes	<u>962,995</u>	\$ 1,461,459	<u>2,424,454</u>
Total	<u>\$ 7,126,083</u>	<u>\$ 1,461,459</u>	<u>\$ 8,587,542</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.

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	\$ 342,549	\$ 28,248	\$ 370,797
Realized gain	152,736	158,492	311,228
Unrealized gain (loss)	<u>547,857</u>	<u>(44,218)</u>	<u>503,639</u>
Total	<u>\$ 1,043,142</u>	<u>\$ 142,522</u>	<u>\$ 1,185,664</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>
Annuity reserve investments			
Interest and dividends	\$ 271,294	\$ -	\$ 271,294
Realized gain	71,055		71,055
Unrealized gain	<u>431,171</u>		<u>431,171</u>
Subtotal	<u>773,520</u>	<u>\$ -</u>	<u>\$ 773,520</u>
Trust agreements			
Interest and dividends	23,613	\$ -	\$ 23,613
Unrealized gain	<u>45,240</u>		<u>45,240</u>
Subtotal	<u>68,853</u>		<u>68,853</u>
Total	<u>\$ 842,373</u>	<u>\$ -</u>	<u>\$ 842,373</u>

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

8. **Investments:** (continued)

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.

9. **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 \$261,006 at December 31, 2019.

10. **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	1,033,720		1,033,720
Buildings	7,812,045		7,812,045
Furniture and fixtures	410,814	\$ 14,834	425,648
Equipment and vehicles	1,229,484	85,115	1,314,599
Subtotal	<u>11,115,393</u>	<u>99,949</u>	<u>11,215,342</u>
Less: Accumulated depreciation	<u>(4,920,626)</u>	<u>(86,762)</u>	<u>(5,007,388)</u>
Total	<u>\$ 6,194,767</u>	<u>\$ 13,187</u>	<u>\$ 6,207,954</u>

Depreciation expense was \$339,782 for the year ended December 31, 2019.

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.

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**11. 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 \$176,807 as of December 31, 2019. 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, 2019.

**12. Notes and Mortgage Payable:**

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.

FOI - USA

\$ 1,656,800

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.

488,190

Less: Unamortized issuance cost

(6,697)

481,493

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.

933,076

Less: Unamortized issuance cost

(16,811)

916,265

\$ 3,054,558

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

A schedule of future minimum principal payments is as follows:

	Notes Payable	Mortgage Payable	Construction Loan	Total
2020	\$ 172,800	\$ 115,568	\$ 270,072	\$ 558,440
2021	343,000	121,093	281,480	745,573
2022	447,793	126,813	293,254	867,860
2023	392,207	118,019	71,459	581,685
2024	301,000	-	-	301,000
Thereafter	-	-	-	-
	<u>\$ 1,656,800</u>	<u>\$ 481,493</u>	<u>\$ 916,265</u>	<u>\$ 3,054,558</u>

As of December 31, 2019, the Organization was in compliance with all debt covenants.

13. **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 \$331,360 at December 31, 2019.

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

Changes in net assets with donor restrictions consist of the following for the year ended December 31, 2019:

	12/31/2018 <u>Balance</u>	<u>Contributions</u>	Change in Actuarial <u>Value</u>	<u>Releases</u>	12/31/2019 <u>Balance</u>
<i>Subject to expenditure for specified purposes:</i>					
Annuity reserves required					
by state law (10%)	\$ 492,795			\$ (14,082)	\$ 478,713
Remainder trusts	460,334		\$ 109,887		570,221
International ministry projects	1,415,398	\$ 1,060,431		(1,420,304)	1,055,525
Jerusalem building projects		49,763			49,763
Argentina Clinic	81,775				81,775
Capital campaign	1,975,368	367,575	19,647	(2,362,590)	-
Missionary support	206,210	1,744,689		(1,737,972)	212,927
Relief funds	252,489	571,029	(3,432)	(576,173)	243,913
Publications		92,420		(92,420)	-
Subtotal - expenditure for specified purpose	<u>4,884,369</u>	<u>3,885,907</u>	<u>126,102</u>	<u>(6,203,541)</u>	<u>2,692,837</u>
<i>Subject to the passage of time:</i>					
Legacies receivable - time restriction	-	130,832		-	130,832
Subtotal - passage of time	-	130,832		-	130,832
Total	<u>\$ 4,884,369</u>	<u>\$ 4,016,739</u>	<u>\$ 126,102</u>	<u>\$ (6,203,541)</u>	<u>\$ 2,823,669</u>

Continued



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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**15. Revenue from Contracts with Customers:**

Revenue from Contracts with Customers consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
<i>Recognized over time</i>			
Subscription revenue - Israel My Glory	\$ 362,199	\$ 5,299	\$ 367,498
<i>Recognized at a point in time</i>			
Books	386,347	40,222	426,569
Audio CD and DVDs	97,971	12,341	110,312
Shipping	96,182	8,779	104,961
Other products	<u>69,016</u>	<u>5,698</u>	<u>74,714</u>
Subtotal	<u>649,516</u>	<u>67,040</u>	<u>716,556</u>
Total	<u>\$ 1,011,715</u>	<u>\$ 72,339</u>	<u>\$ 1,084,054</u>

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2019:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Deferred revenue, beginning of year	\$ 481,014	\$ 40,986	\$ 522,000
Revenue recognized that was included in deferred revenue at the beginning of year	(338,298)	(5,299)	(343,597)
Increase in deferred revenue due to cash received during the year	<u>356,511</u>	<u>12,681</u>	<u>369,192</u>
Deferred revenue, end of year	<u>\$ 499,227</u>	<u>\$ 48,368</u>	<u>\$ 547,595</u>

As of December 31, 2019, deferred revenue consisted of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Deferred revenue - subscriptions	\$ 477,236	\$ 48,368	\$ 525,604
Deferred revenue - HESED trip	16,290		16,290
Deferred revenue - other	<u>5,701</u>		<u>5,701</u>
Total	<u>\$ 499,227</u>	<u>\$ 48,368</u>	<u>\$ 547,595</u>

**16. 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, 2019). The contribution to the plan for the year ending December 31, 2019 was \$354,950 for FOI-USA and \$29,721 for FOI-Canada. The amount of accrued retirement expense for the year is funded in annual contributions to the plan.

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

16. **Pension Plan:** (continued)

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, 2019 \$90,484. The amount of accrued retirement expense for the year is funded by the Organization in annual contributions to the accounts.

17. **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 2017, 2018, and 2019, are subject to examination by the IRS, generally for three years after they were filed. As of December 31, 2019, The Friends of Israel Gospel Ministry, Inc. is not aware of any federal or state tax audits or examinations of the organization's tax returns.

18. **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.

19. **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 \$34,399 for the year ended December 31, 2019.

Future minimum lease payments under the operating lease as of December 31, 2019 are:

Year Ending December 31:	
2020	\$ 31,697
2021	31,697
2022	<u>2,641</u>
	<u>\$ 66,035</u>

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**20. Subsequent Events:**

Events occurring after December 31, 2019 have been evaluated for possible adjustments to the consolidated financial statements or disclosure through July 22, 2020 , which is the date on which the consolidated financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple churches and businesses. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 21, 2020 the organization obtained a Paycheck Protection Program loan from Ocean First Bank for \$1,003,710 with an interest rate of 1%. It is the organization's expectation that the loan will be forgiven in 2020 in accordance with the provisions of the Paycheck Protection Program.

Concluded

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

**UNCONSOLIDATED SCHEDULE OF FINANCIAL POSITION – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2018**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,593,735	\$ 1,824,076
Accounts and other receivables (Note 2d)	98,215	165,382
Legacies receivable (Note 4)	130,833	-
Inventory (Note 6)	357,471	289,368
Prepaid expenses	296,544	309,543
Restricted cash (Note 3)	6,255	50,112
Investment (Note 8)	7,126,083	7,555,563
Property investment (Note 7)	167,873	167,873
Beneficial interest in trust (Note 9)	261,006	187,252
Construction in progress	-	2,771,449
Property and equipment, net (Note 10)	6,194,767	3,644,562
Total assets	<u>\$ 16,232,782</u>	<u>\$ 16,965,180</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,203,786	\$ 803,385
Deferred compensation (Note 11)	176,807	177,810
Deferred revenue	499,227	481,014
Notes payable (Note 12)	1,656,800	1,722,800
Mortgage payable (Note 12)	1,397,758	1,776,115
Property investment obligations	-	-
Annuities payable	4,779,926	4,927,945
Revocable trust agreements	45,064	41,856
Irrevocable trust agreements	151,309	142,081
Total liabilities	<u>9,910,677</u>	<u>10,073,006</u>
Net Assets:		
Without donor restrictions		
Undesignated	3,167,076	1,663,245
Designated by governing board as reserve for:		
Debt retirement (Note 13)	331,360	344,560
Total net assets without donor restrictions	<u>3,498,436</u>	<u>2,007,805</u>
With donor restrictions	<u>2,823,669</u>	<u>4,884,369</u>
Total net assets	<u>6,322,105</u>	<u>6,892,174</u>
Total liabilities and net assets	<u>\$ 16,232,782</u>	<u>\$ 16,965,180</u>

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

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2018**

	<b><u>WITHOUT DONOR RESTRICTIONS</u></b>	<b><u>WITH DONOR RESTRICTIONS</u></b>	<b><u>TOTAL</u></b>	
			<b><u>2019</u></b>	<b><u>2018</u></b>
<b>SUPPORT AND REVENUE</b>				
<b>Support:</b>				
General ministry contributions	\$ 4,670,524	\$ 49,763	\$ 4,720,287	\$ 4,774,688
North American ministry contributions	120,962	1,744,689	1,865,651	1,758,754
International ministry contributions	533,908	1,060,431	1,594,339	1,730,384
Relief ministry contributions		571,029	571,029	527,982
Gift portion of annuities	196,133		196,133	185,219
Legacies	619,165	130,832	749,997	1,459,365
Publication contributions		92,420	92,420	239,512
Capital campaign		367,575	367,575	568,880
Gift-in-kind	36,427		36,427	4,287
Total support	<u>6,177,119</u>	<u>4,016,739</u>	<u>10,193,858</u>	<u>11,249,071</u>
<b>Revenue:</b>				
Ministry, publications, audio and video	1,011,715		1,011,715	841,908
Conference and special functions	150,311		150,311	159,714
Interest and dividends	47,642		47,642	80,871
Other revenue	(30,489)		(30,489)	3,088
Total revenue	<u>1,179,179</u>	<u>-</u>	<u>1,179,179</u>	<u>1,085,581</u>
Total support and revenue	<u>7,356,298</u>	<u>4,016,739</u>	<u>11,373,037</u>	<u>12,334,652</u>
<b>RECLASSIFICATIONS:</b>				
Satisfaction of restriction (Note 14)	<u>6,203,541</u>	<u>(6,203,541)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program services:				
Outreach ministries	1,410,954		1,410,954	1,333,149
Publication ministries	2,104,237		2,104,237	2,464,716
North American ministries	2,348,920		2,348,920	2,134,261
International ministries	2,159,064		2,159,064	2,348,311
Relief ministries	576,173		576,173	506,098
Institute of Jewish Studies	6,088		6,088	59,347
Conference and special functions	620,829		620,829	724,688
Total program services	<u>9,226,265</u>	<u>-</u>	<u>9,226,265</u>	<u>9,570,570</u>
Supporting activities:				
Management and general	2,111,660		2,111,660	1,975,353
Stewardship and fundraising	637,673		637,673	673,352
Total supporting services	<u>2,749,333</u>	<u>-</u>	<u>2,749,333</u>	<u>2,648,705</u>
Total expenses	<u>11,975,598</u>	<u>-</u>	<u>11,975,598</u>	<u>12,219,275</u>
Change in Net Assets Before Other Changes	1,584,241	(2,186,802)	(602,561)	115,377

Schedule 2 (continued)

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

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2018**

	<b><u>WITHOUT DONOR RESTRICTIONS</u></b>	<b><u>WITH DONOR RESTRICTIONS</u></b>	<b><u>TOTAL</u></b>	
			<b><u>2019</u></b>	<b><u>2018</u></b>
Change in Net Assets Before Other Changes	\$ 1,584,241	\$ (2,186,802)	\$ (602,561)	\$ 115,377
<b>OTHER CHANGES IN NET ASSETS</b>				
Realized and unrealized gain(loss) on investments	153,127		153,127	(136,095)
Change in actuarial value of gift annuities and trusts	353,263	126,102	479,365	(437,356)
Grant for capital project in Jerusalem	<u>(600,000)</u>	<u></u>	<u>(600,000)</u>	<u>(437,356)</u>
Total other changes in net assets	(93,610)	126,102	32,492	(573,451)
<b>Change in Net Assets</b>	1,490,631	(2,060,700)	(570,069)	(458,074)
<b>Net Assets, Beginning of Year</b>	<u>2,007,805</u>	<u>4,884,369</u>	<u>6,892,174</u>	<u>7,350,248</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,498,436</u>	<u>\$ 2,823,669</u>	<u>\$ 6,322,105</u>	<u>\$ 6,892,174</u>

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

**UNCONSOLIDATED SCHEDULE OF CASH FLOWS – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (570,069)	\$ (458,074)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	339,782	296,002
Realized and unrealized gain on investments	(700,366)	728,995
Loss on disposal of fixed asset	42,357	17,248
Actuarial change in value of annuities, net payments	397,766	158,785
Change in value of irrevocable trusts	(36,133)	13,266
Change in value of beneficial interest in trust	(73,754)	4,165
Contributions restricted for capital renovations	(367,375)	(568,880)
Changes in:		
Accounts and other receivables	67,167	(3,224)
Legacies receivable	(130,833)	118,005
Inventory	(68,103)	2,351
Prepaid expenses	12,999	(47,157)
Restricted cash	43,857	(75)
Accounts payable and accrued expenses	400,401	69,468
Deferred compensation	(1,003)	(17,951)
Deferred revenue	<u>18,213</u>	<u>341,827</u>
Net cash provided by operating activities	<u>(625,094)</u>	<u>654,751</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from contributions restricted for capital renovations	367,375	568,880
Proceeds from the sale of investments	2,985,128	3,344,536
Proceeds from sale of fixed assets	253,151	
Purchase of investments	(1,855,282)	(2,683,708)
Purchase of property and equipment	(414,046)	(57,456)
Purchase of construction in progress	<u>-</u>	<u>(1,112,355)</u>
Net cash provided (used) by investing activities	<u>1,336,326</u>	<u>59,897</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	-	715,968
Payment of notes and mortgage	(444,357)	(490,357)
Payment on annuity and irrevocable trusts agreements	(782,711)	(838,948)
Face value of new annuities, net of contribution	236,926	192,230
Investment loss on irrevocable trust assets	<u>48,569</u>	<u>(34,541)</u>
Net cash used by financing activities	<u>(941,573)</u>	<u>(455,648)</u>
<b>Change in cash and cash equivalents</b>	<u>(230,341)</u>	<u>259,000</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,824,076</u>	<u>1,565,076</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,593,735</u>	<u>\$ 1,824,076</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest on debt - non capitalized	<u>\$ 139,259</u>	<u>\$ 157,058</u>
Noncash transactions :		
Donated securities	<u>\$ 184,253</u>	<u>\$ 147,574</u>