

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

CONSOLIDATING FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

For the Year Ended  
December 31, 2020

\* \* \*

**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, 2020, 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 \$2,261,871 (CAD\$) as of December 31, 2020, and total revenues of \$1,215,106 (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, 2020, 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 12, 2021

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,295,248	\$ 142,053		\$ 1,437,301
Accounts receivable (Note 2d)	103,758	8,139	\$ (97,673)	14,224
Due from taxing authority		18,740		18,740
Inventory (Note 5)	332,073	34,319		366,392
Prepaid expenses	333,290	3,656		336,946
Restricted cash (Note 3)	6,259			6,259
Investments (Note 7)	7,850,017	1,558,274		9,408,291
Property investment (Note 6)	167,873			167,873
Beneficial interest in trust (Note 8)	284,236			284,236
Construction in progress	13,130			13,130
Property and equipment, net (Note 9)	5,848,039	11,292		5,859,331
Total assets	<u>\$ 16,233,923</u>	<u>\$ 1,776,473</u>		<u>\$ 17,912,723</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 689,755	\$ 126,145	\$ (97,673)	\$ 718,227
Deferred compensation (Note 10)	173,948			173,948
Deferred revenue	456,976	47,017		503,993
Notes payable (Note 11)	1,362,000			1,362,000
Mortgage payable (Note 11)	985,634			985,634
Annuities payable	4,648,150			4,648,150
Revocable trust agreements	47,755			47,755
Irrevocable trust agreements	147,900			147,900
Total liabilities	<u>8,512,118</u>	<u>173,162</u>		<u>\$ 8,587,607</u>
Net assets:				
Without Donor Restriction				
Undesignated	4,200,908	1,443,799		5,644,707
Designated by governing board as reserve for:				
Debt retirement (Note 12)	272,400			272,400
Total unrestricted net assets	4,473,308	1,443,799		5,917,107
With Donor Restriction				
Purpose and time restricted	3,248,497	159,512		3,408,009
Total net assets	7,721,805	1,603,311		9,325,116
Total liabilities and net assets	<u>\$ 16,233,923</u>	<u>\$ 1,776,473</u>		<u>\$ 17,912,723</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, 2020**

	FOI - USA			FOI - CANADA		FOI - CANADA	Intercompany Eliminations	TOTAL
	Without Donor Restrictions	With Donor Restricted	Total	Without Donor Restrictions	With Donor Restrictions	Total		
<b>Support and Revenue:</b>								
Support:								
General ministry contributions	\$ 5,301,345	\$ 57,257	\$ 5,358,602	\$ 507,968	\$ 112,939	\$ 620,907		\$ 5,979,509
North American ministry contributions	100,863	1,795,365	1,896,228	41,914	93,110	135,024		2,031,252
Foreign ministry contributions	407,633	1,455,557	1,863,190			-		1,863,190
Relief ministry contributions		413,059	413,059			-		413,059
Gift portion of annuities	120,600		120,600			-		120,600
Legacies	1,145,683		1,145,683	72,275		72,275		1,217,958
Publication contributions		78,441	78,441			-		78,441
Capital campaign		135,510	135,510			-		135,510
Gifts-in-kind	8,616		8,616	15,563		15,563		24,179
Total support	<u>7,084,740</u>	<u>3,935,189</u>	<u>11,019,929</u>	<u>637,720</u>	<u>206,049</u>	<u>843,769</u>		<u>11,863,698</u>
Revenue:								
Ministry publications, audio, and video	985,978		985,978	73,352		73,352		1,059,330
Conference and special functions	18,225		18,225	253		253		18,478
Interest and dividends	40,860		40,860	43,424		43,424		84,284
Other revenue	7,762		7,762					7,762
Total revenue	<u>1,052,825</u>	<u>-</u>	<u>1,052,825</u>	<u>117,029</u>	<u>-</u>	<u>117,029</u>		<u>1,169,854</u>
Total support and revenue	<u>8,137,565</u>	<u>3,935,189</u>	<u>12,072,754</u>	<u>754,749</u>	<u>206,049</u>	<u>960,798</u>		<u>13,033,552</u>
<b>Reclassifications:</b>								
Satisfaction of restrictions	<u>3,542,867</u>	<u>(3,542,867)</u>	<u>-</u>	<u>46,537</u>	<u>(46,537)</u>	<u>-</u>		<u>-</u>
<b>Expenses:</b>								
Program services								
Outreach ministries	1,646,569		1,646,569	86,826		86,826		1,733,395
Publication ministries	1,975,420		1,975,420	185,565		185,565		2,160,985
North American ministries	2,164,879		2,164,879	282,683		282,683		2,447,562
Foreign ministries	2,671,187		2,671,187			-		2,671,187
Relief ministries	341,252		341,252			-		341,252
Conference and special functions	113,662		113,662	10,860		10,860		124,522
Total program services	<u>8,912,969</u>	<u>-</u>	<u>8,912,969</u>	<u>565,934</u>	<u>-</u>	<u>565,934</u>		<u>9,478,903</u>
Supporting services:								
Management and general	2,192,460		2,192,460	228,910		228,910		2,421,370
Stewardship and fundraising	580,785		580,785	78,309		78,309		659,094
Total supporting services	<u>2,773,245</u>	<u>-</u>	<u>2,773,245</u>	<u>307,219</u>	<u>-</u>	<u>307,219</u>		<u>3,080,464</u>
Total expenses	<u>11,686,214</u>	<u>-</u>	<u>11,686,214</u>	<u>873,153</u>	<u>-</u>	<u>873,153</u>		<u>12,559,367</u>
<b>Change in Net Assets Before Other Changes</b>	<u>(5,782)</u>	<u>392,322</u>	<u>386,540</u>	<u>(71,867)</u>	<u>159,512</u>	<u>87,645</u>	<u>-</u>	<u>474,185</u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

	FOI - USA			FOI - CANADA	FOI - CANADA	Intercompany Eliminations	TOTAL	
	Without Donor Restrictions	With Donor Restricted	Total	Without Donor Restrictions	With Donor Restrictions			Total
<b>Change in Net Assets Before Other Changes</b>	(5,782)	392,322	386,540	(71,867)	159,512	87,645	-	474,185
<b>Other Changes in Net Assets</b>								
Realized and unrealized gain on investments	39,542		39,542	39,258		39,258		78,800
Change in actuarial value of gift annuities and trust	(65,805)	32,506	(33,299)			-		(33,299)
Paycheck Protection Loan forgiven	1,006,917		1,006,917			-		1,006,917
Government assistance - 10% wage subsidy				7,530		7,530		7,530
Gain on foreign currency translation				26,234		26,234		26,234
Total other changes in net assets	980,654	32,506	1,013,160	73,022	-	73,022		1,086,182
<b>Change in Net Assets</b>	974,872	424,828	1,399,700	1,155	159,512	160,667		1,560,367
<b>Net Assets at Beginning of Year</b>	3,498,436	2,823,669	6,322,105	1,442,644	-	1,442,644		7,764,749
<b>Net Assets at End of Year</b>	\$ 4,473,308	\$ 3,248,497	\$ 7,721,805	\$ 1,443,799	\$ 159,512	\$ 1,603,311	\$ -	\$ 9,325,116

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

**CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020**

	<b>FOI - USA</b>	<b>FOI - Canada</b>	<b>Intercompany Eliminations</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>				
Change in net assets	\$ 1,399,700	\$ 160,667		\$ 1,560,367
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	358,746	4,691		363,437
Realized and unrealized gain on investments	(290,814)	(39,258)		(330,072)
Actuarial change in value of annuities, net payments	523,492			523,492
Change in value of irrevocable trusts	(12,665)			(12,665)
Change in value of beneficial interest in trust	(23,230)			(23,230)
Contributions restricted for capital renovations	(135,510)			(135,510)
Changes in:				
Accounts and other receivable	(5,543)	(7,703)	\$ 97,673	84,427
Legacies receivable	130,833			130,833
Inventory	25,398	(1,509)		23,889
Prepaid expenses	(36,746)	8,596		(28,150)
Restricted cash	(4)			(4)
Accounts payable and accrued expenses	(514,031)	16,019	(97,673)	(595,685)
Due from tax authority		1,545		1,545
Deferred compensation	(2,859)			(2,859)
Deferred revenue	(42,251)	(4,381)		(46,632)
Net cash provided (used) by operating activities	<u>1,374,516</u>	<u>138,667</u>	<u>-</u>	<u>1,513,183</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from contributions restricted for capital renovations	135,510			135,510
Proceeds from sale of investments	1,361,377	258,864		1,620,241
Purchase of investments	(1,794,497)	(280,960)		(2,075,457)
Purchase of property and equipment	(12,018)	(2,682)		(14,700)
Purchase of construction in progress	(13,130)			(13,130)
Net cash used by investing activities	<u>(322,758)</u>	<u>(24,778)</u>	<u>-</u>	<u>(347,536)</u>
<b>Cash Flows from Financing Activities:</b>				
Payment of notes and mortgage	(706,924)			(706,924)
Payment on annuity and irrevocable trust agreements	(794,668)			(794,668)
Face value of new annuities, net of contribution	139,400			139,400
Investment income (loss) on irrevocable trust assets	11,947	-		11,947
Net cash used by financing activities	<u>(1,350,245)</u>	<u>-</u>		<u>(1,350,245)</u>
<b>Effect of Exchange Rate Changes on Cash</b>		(30,902)		(30,902)
<b>Change in Cash and Cash Equivalents</b>	(298,487)	82,987		(215,500)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,593,735</u>	<u>59,066</u>		<u>1,652,801</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,295,248</u>	<u>\$ 142,053</u>		<u>\$ 1,437,301</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, 2020**

**FOI - USA**

**Supplemental Disclosures of Cash Flow Information**

Cash paid for interest on debt - non capitalized	<u>\$ 155,052</u>
Non-cash investing transactions:	
Donated securities	<u>\$ 126,837</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, 2020**

	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	Publication Ministries	Field Ministries	Education Conferences and Other Ministries	
Ministry expenditures	\$ 279,971		\$ 95,689	\$ 552,226	\$ 340,977		\$ 45,052		\$ 6,650		\$ 1,320,565
Salaries	753,302	\$ 326,494	1,358,476	1,490,414		\$ 30,975	22,665	\$ 21,375	188,648		4,192,349
Payroll taxes	52,173	21,247	36,824	64,868		2,370	2,508	1,627	8,929		190,546
Pension	68,370	31,774	131,264	143,478		3,098	2,436	1,744	17,103		399,267
Other staff benefits	188,093	79,518	284,352	86,852		8,230	541	556	4,267		652,409
Professional fees	43,196	6,800	1,225	20,785		65					72,071
Advertising	63,238	2,993	197			15,239	1,543				83,210
Postage and mailings	263	612,744	5,757	8,545	275	6,503		24,497	1,732	\$ 4,487	664,803
Office supplies and services	8,198	20,372	26,880	30,548		84		1,368	11,050	2,361	100,861
Bank Fees											-
Information technology	2,800	3,004	10,567	34,704			694		977		52,746
Royalties	148	12,867									13,015
Occupancy	65,264	36,768	15,266	11,631			3,551	19,719	8,004		160,203
Travel	1,942	1,564	97,553	45,289		15,559			28,827	37	190,771
Conference, conventions, meetings			3,179			31,539			905	3,975	39,598
Interest											-
Insurance	27,170	27,170	10,503	9,237			281	506	450		75,317
Currency exchange rate adjustments				64,877							64,877
Cost of goods sold	45,407	774,445		72,493			7,085	113,329			1,012,759
Training	29,190		563	4,757					4,389		38,899
Miscellaneous	515	331	147								993
Depreciation	17,329	17,329	86,437	30,483			470	844	752		153,644
	<u>\$ 1,646,569</u>	<u>\$ 1,975,420</u>	<u>\$ 2,164,879</u>	<u>\$ 2,671,187</u>	<u>\$ 341,252</u>	<u>\$ 113,662</u>	<u>\$ 86,826</u>	<u>\$ 185,565</u>	<u>\$ 282,683</u>	<u>\$ 10,860</u>	<u>\$ 9,478,903</u>

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

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	FOI - USA			FOI - Canada		Total	
	Total <u>Program</u>	Management <u>and General</u>	Fund- <u>raising</u>	Management <u>and General</u>	Fund- <u>raising</u>	Supporting <u>Services</u>	<u>Total</u>
Ministry expenditures	\$ 1,320,565	\$ 6,000	\$ 393			\$ 6,393	\$ 1,326,958
Salaries	4,192,349	708,878	310,211	\$ 118,615	\$ 56,116	1,193,820	5,386,169
Payroll taxes	190,546	45,879	21,554	8,505	1,917	77,855	268,401
Pension	399,267	103,781	28,525	7,911	4,715	144,932	544,199
Other staff benefits	652,409	191,201	68,667	1,470	293	261,631	914,040
Professional fees	72,071	178,894	15,966	28,771		223,631	295,702
Advertising	83,210	666	8,019			8,685	91,895
Postage and mailings	664,803	41,967	3,139	1,934	171	47,211	712,014
Office supplies and services	100,861	57,481	8,063	16,911	3,013	85,468	186,329
Bank fees	-	116,730		15,905		132,635	132,635
Information technology	52,746	203,968	3,543	5,094	151	212,756	265,502
Royalties	13,015					-	13,015
Occupancy	160,203	144,433	13,723	18,376	1,777	178,309	338,512
Travel	190,771	22,545	64,958	1,590	9,785	98,878	289,649
Conference, conventions, meetings	39,598	120				120	39,718
Interest	-	155,052				155,052	155,052
Insurance	75,317	26,193		1,434	142	27,769	103,086
Currency exchange rate adjustments	64,877					-	64,877
Cost of goods sold	1,012,759					-	1,012,759
Training	38,899	9,353	3,107			12,460	51,359
Miscellaneous	993		3,067			3,067	4,060
Depreciation	153,644	179,319	27,850	2,394	229	209,792	363,436
	<u>\$ 9,478,903</u>	<u>\$ 2,192,460</u>	<u>\$ 580,785</u>	<u>\$ 228,910</u>	<u>\$ 78,309</u>	<u>\$ 3,080,464</u>	<u>\$ 12,559,367</u>

Exhibit D (continued from previous page and concluded)

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

### **NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2020**

#### **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, 2020**

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

(d) *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances totaling \$14,224 at December 31, 2020. 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	\$ 4,531	\$ 8,139	\$ 12,670
Notes receivable - employee	1,554		1,554
U.S./Canadian receivable	<u>97,673</u>		<u>97,673</u>
Total receivables	<u>103,758</u>	<u>8,139</u>	<u>111,897</u>
Less intercompany receivable	<u>(97,673)</u>		<u>(97,673)</u>
Total receivables	<u>\$ 6,085</u>	<u>\$ 8,139</u>	<u>\$ 14,224</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, 2020**

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, 2020, 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, 2020**

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 is met over time as each publication is made available to the customer during the year, 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, 2020, Friends of Israel had no uncertain tax positions that qualify for recognition or disclosure in the consolidating financial statements.

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

(n) *Advertising*

The Organization expenses advertising cost as incurred.

(o) *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, 2020**

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

(o) *Fair Value Measurement* (continued)

Fair values of assets measured at December 31, 2020 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>	\$ 182,323	\$ 41,971	\$ 224,294	\$ 224,294		
<b>Certificate of deposit</b>	103,220	281,561	384,781		\$ 384,781	
<b>Mutual funds</b>						
Aggregate bonds	1,496,482		1,496,482	1,496,482		
Canadian equity		7,103	7,103	7,103		
Corporate bonds	316,106		316,106	316,106		
Moderate allocation	746,426		746,426	746,426		
Dynamic allocation	522,682		522,682	522,682		
Emerging market stock	184,368		184,368	184,368		
Foreign bonds	342,180	270,770	612,950	612,950		
Foreign equity	1,330,509		1,330,509	1,330,509		
Global allocation	179,352		179,352	179,352		
Government bonds	94,894		94,894	94,894		
Growth broad market	665,574		665,574	665,574		
High yield bonds	897,981		897,981	897,981		
Value broad market	21,881		21,881	21,881		
Value large cap	430,518		430,518	430,518		
Total mutual funds	<u>7,228,953</u>	<u>277,873</u>	<u>7,506,826</u>	<u>7,506,826</u>	<u>-</u>	<u>-</u>
<b>Common Stock - U.S.</b>		243,827	243,827	243,827		
<b>Common Stock - Canada</b>		253,247	253,247	253,247		
<b>Common Stock - International</b>		197,765	197,765	197,765		
<b>U.S. Government securities</b>	19,227		19,227	19,227		
<b>Canadian government securities</b>		105,439	105,439		105,439	
<b>Corporate bonds</b>		156,591	156,591		156,591	
<b>State of Israel bonds</b>	316,294		316,294		316,294	
Total investments	<u>7,850,017</u>	<u>1,558,274</u>	<u>9,408,291</u>	<u>8,445,186</u>	<u>963,105</u>	
<b>Beneficial interest in trust</b>	284,236	-	284,236	-	284,236	
<b>Total</b>	<u>\$ 8,134,253</u>	<u>\$ 1,558,274</u>	<u>\$ 9,692,527</u>	<u>\$ 8,445,186</u>	<u>\$ 1,247,341</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, 2020**

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

(o) *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:

	<u>FOI - USA</u>
Performance bond for construction project	<u>\$ 6,259</u>

In December 2016, Ocean First Bank 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.

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.

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

The table below presents financial assets available for general expenditures within one year at December 31, 2020:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Financial assets:			
Cash and cash equivalents	\$ 1,295,248	\$ 142,053	\$ 1,437,301
Accounts receivable	6,085	8,139	14,224
Investments	<u>7,850,017</u>	<u>1,558,274</u>	<u>9,408,291</u>
Total financial assets	<u>9,151,350</u>	<u>1,708,466</u>	<u>10,859,816</u>
Donor-imposed conditions:			
Designated funds not expected to utilized in one year	<u>(2,785,023)</u>	<u>(154,069)</u>	<u>(2,939,092)</u>
Net financial assets after donor- imposed restrictions	<u>6,366,327</u>	<u>1,554,397</u>	<u>7,920,724</u>
Internal designations:			
Investments - annuity	(5,564,573)		(5,564,573)
Investments - trusts	(195,656)		(195,656)
Board designated - promissory	(272,400)		(272,400)
Deferred compensation	<u>(173,948)</u>		<u>(173,948)</u>
	<u>(6,206,577)</u>	<u>-</u>	<u>(6,206,577)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 159,750</u>	<u>\$ 1,554,397</u>	<u>\$ 1,714,147</u>

**5. Inventory:**

Inventory consists of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Books and publications	\$ 223,570	\$ 15,244	\$ 238,814
Media	63,598	6,717	70,315
Other items	<u>44,905</u>	<u>12,358</u>	<u>57,263</u>
	<u>\$ 332,073</u>	<u>\$ 34,319</u>	<u>\$ 366,392</u>

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**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 \$167,873 at December 31, 2020, and represents the Organization's 50% interest in the cost basis of the property. The property investment obligation amounts to \$0 at December 31, 2020 and represents the estimated remaining obligation the Organization has made to reimburse for 50% of the monthly mortgage payments on the property. On August 18, 2020, The Friends of Israel Board voted to end the agreement, surrender its 50% ownership in the property, and cancel any obligation due from the employee.

**7. Investments:**

Investments consist of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Money market funds	\$ 182,323	\$ 41,971	\$ 224,294
Certificate of deposit	103,220	281,561	384,781
Mutual funds	7,228,953	277,873	7,506,826
Corporate stocks		694,839	694,839
U.S. Government securities	19,227		19,227
Canadian government securities		105,439	105,439
Corporate bonds		156,591	156,591
State of Israel bonds	316,294		316,294
Total	<u>\$ 7,850,017</u>	<u>\$ 1,558,274</u>	<u>\$ 9,408,291</u>

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

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
McAlpine Scholarship		\$ 112,939	\$ 112,939
Annuity agreements	\$ 6,029,388		6,029,388
Trust agreements	517,534		517,534
Subtotal	<u>6,546,922</u>	<u>112,939</u>	<u>6,659,861</u>
Unrestricted purposes	<u>1,303,095</u>	<u>\$ 1,445,335</u>	<u>2,748,430</u>
Total	<u>\$ 7,850,017</u>	<u>\$ 1,558,274</u>	<u>\$ 9,408,291</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, 2020**

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	\$ 287,061	\$ 43,424	\$ 330,485
Realized gain	55,992	(4,432)	51,560
Unrealized gain	<u>234,822</u>	<u>43,690</u>	<u>278,512</u>
Total	<u>\$ 577,875</u>	<u>\$ 82,682</u>	<u>\$ 660,557</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	\$ 227,164	\$ -	\$ 227,164
Realized gain	23,738		23,738
Unrealized gain	<u>214,600</u>		<u>214,600</u>
Subtotal	<u>\$ 465,502</u>	<u>\$ -</u>	<u>\$ 465,502</u>
Trust agreements			
Interest and dividends	21,714	\$ -	21,714
Realized loss	(28)		(28)
Unrealized gain	<u>10,285</u>		<u>10,285</u>
Subtotal	<u>31,971</u>		<u>31,971</u>
Total	<u>\$ 497,473</u>	<u>\$ -</u>	<u>\$ 497,473</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 \$284,236 at December 31, 2020.

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**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	1,033,720		1,033,720
Buildings	7,817,315		7,817,315
Furniture and fixtures	417,562	\$ 17,516	435,078
Equipment and vehicles	1,229,485	85,115	1,314,600
Subtotal	<u>11,127,412</u>	<u>102,631</u>	<u>11,230,043</u>
Less: Accumulated depreciation	<u>(5,279,373)</u>	<u>(91,339)</u>	<u>(5,370,712)</u>
Subtotal	5,848,039	11,292	5,859,331
Construction in progress	13,130		13,130
Total	<u>\$ 5,861,169</u>	<u>\$ 11,292</u>	<u>\$ 5,872,461</u>

Depreciation expense was \$363,436 for the year ended December 31, 2020.

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 \$173,948 as of December 31, 2020. 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, 2020.

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**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. The maximum authorized promissory note indebtedness is \$2,500,000. (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.

\$ 1,362,000

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.

370,900

Less: Unamortized issuance cost

(4,508)

366,392

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.

634,401

Less: Unamortized issuance cost

(15,159)

619,242

\$ 2,347,634

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

A schedule of future minimum principal payments is as follows:

	Notes Payable	Mortgage Payable	Construction Loan	Total
2021	\$ 359,000	\$ 121,093	\$ 281,480	\$ 761,573
2022	324,793	126,813	293,254	744,860
2023	314,207	118,486	44,508	477,201
2024	272,000	-	-	272,000
2025	92,000	-	-	92,000
Thereafter	-	-	-	-
	<u>\$ 1,362,000</u>	<u>\$ 366,392</u>	<u>\$ 619,242</u>	<u>\$ 2,347,634</u>

As of December 31, 2020, 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 \$272,400 at December 31, 2020.



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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

Changes in net assets with donor restrictions consist of the following for the year ended December 31, 2020:

	12/31/2019		Change in		12/31/2020
	<u>Balance</u>	<u>Contributions</u>	<u>Actuarial</u>	<u>Releases</u>	<u>Balance</u>
			<u>Value</u>		
<i>Subject to expenditure for specified purposes:</i>					
FOI - USA					
Annuity reserves required					
by state law (10%)	\$ 478,713			\$ (13,898)	\$ 464,815
Remainder trusts	570,221		\$ 35,894		606,115
International ministry projects	1,055,525	\$ 1,455,556		(1,017,787)	1,493,294
Jerusalem building projects	49,763	57,257		(107,020)	-
Argentina Clinic	81,775				81,775
Capital campaign		135,510		(135,510)	-
Missionary support	212,927	1,800,366		(1,718,127)	295,166
Relief funds	243,913	408,059	(3,388)	(341,252)	307,332
Publications		78,441		(78,441)	-
Subtotal FOI-USA	<u>2,692,837</u>	<u>3,935,189</u>	<u>32,506</u>	<u>(3,412,035)</u>	<u>3,248,497</u>
FOI-CAN					
Gift basket		13,388		(7,990)	5,398
Magen Adom Rom		35,549		(35,549)	-
Cruzin for Zion		1,993		(1,750)	243
Ministry Launch Initiative		42,180		(1,248)	40,932
Scholarships		112,939			112,939
Subtotal FOI-CAN		<u>206,049</u>		<u>(46,537)</u>	<u>159,512</u>
Subtotal - expenditure for specified purpose	<u>2,692,837</u>	<u>4,141,238</u>		<u>(3,458,572)</u>	<u>3,408,009</u>
<i>Subject to the passage of time:</i>					
Legacies receivable - time restriction	130,832			(130,832)	-
Subtotal - passage of time	<u>130,832</u>			<u>(130,832)</u>	<u>-</u>
Total	<u>\$ 2,823,669</u>	<u>\$ 4,141,238</u>	<u>\$ 32,506</u>	<u>\$ (3,589,404)</u>	<u>\$ 3,408,009</u>

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**14. 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	\$ 405,005	\$ 7,917	\$ 412,922
<i>Recognized at a point in time</i>			
Books	344,131	36,393	380,524
Audio CD and DVDs	94,532	11,751	106,283
Shipping	90,070	9,172	99,242
Other products	<u>52,240</u>	<u>8,119</u>	<u>60,359</u>
Subtotal	<u>580,973</u>	<u>65,435</u>	<u>646,408</u>
Total	<u>\$ 985,978</u>	<u>\$ 73,352</u>	<u>\$ 1,059,330</u>

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2020:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Deferred revenue, beginning of year	\$ 499,227	\$ 48,368	\$ 547,595
Revenue recognized that was included in deferred revenue at the beginning of year	(399,350)	(35,385)	(434,735)
Increase in deferred revenue due to cash received during the year	<u>357,099</u>	<u>34,034</u>	<u>391,133</u>
Deferred revenue, end of year	<u>\$ 456,976</u>	<u>\$ 47,017</u>	<u>\$ 503,993</u>

As of December 31, 2020, deferred revenue consisted of the following:

	<u>FOI - USA</u>	<u>FOI - Canada</u>	<u>Total</u>
Deferred revenue - subscriptions	\$ 445,884	\$ 47,017	\$ 492,901
Deferred revenue - other	<u>11,092</u>	<u>          </u>	<u>11,092</u>
Total	<u>\$ 456,976</u>	<u>\$ 47,017</u>	<u>\$ 503,993</u>

**15. 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, 2020). The employer contribution to the plan for the year ending December 31, 2020 was \$365,188 for FOI-USA and \$25,423 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, 2020**

15. **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 employer contribution to the plan for the year ending December 31, 2020 was \$103,487. The amount of accrued retirement expense for the year is funded by the Organization in annual contributions to the accounts.

16. **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 2018, 2019, and 2020, are subject to examination by the IRS, generally for three years after they were filed. As of December 31, 2020, 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.

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 \$12,688 for the year ended December 31, 2020.

FOI Canada has entered into operating leases agreements for their postage and shipping equipment. The leases require minimum quarterly payments of \$698 and \$2,507 respectively. The leases expire in March of 2023 and September of 2024 respectively. Rent expense under these leases consisted of \$12,820.

Future minimum lease payments under the operating lease as of December 31, 2020 are:

Year Ending December 31:	
2021	\$ 25,509
2022	13,879
2023	5,301
2024	1,863
	<u>\$ 46,552</u>

Continued

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

**NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**19. Subsequent Events:**

Events occurring after December 31, 2020 have been evaluated for possible adjustments to the consolidated financial statements or disclosure through July 12, 2021, which is the date on which the consolidated financial statements were available to be issued.

On April 21, 2021, the Organization entered into a contract to dispose of its investment in property in Israel resulting in a loss on disposal of \$167,783.

Concluded

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

**UNCONSOLIDATED SCHEDULE OF FINANCIAL POSITION – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,295,248	\$ 1,593,735
Accounts and other receivables (Note 2d)	103,758	98,215
Legacies receivable		130,833
Inventory (Note 5)	332,073	357,471
Prepaid expenses	333,290	296,544
Restricted cash (Note 3)	6,259	6,255
Investment (Note 7)	7,850,017	7,126,083
Property investment (Note 6)	167,873	167,873
Beneficial interest in trust (Note 8)	284,236	261,006
Construction in progress	13,130	-
Property and equipment, net (Note 9)	5,848,039	6,194,767
Total assets	<u>\$ 16,233,923</u>	<u>\$ 16,232,782</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 689,755	\$ 1,203,786
Deferred compensation (Note 10)	173,948	176,807
Deferred revenue	456,976	499,227
Notes payable (Note 11)	1,362,000	1,656,800
Mortgage payable (Note 11)	985,634	1,397,758
Annuities payable	4,648,150	4,779,926
Revocable trust agreements	47,755	45,064
Irrevocable trust agreements	147,900	151,309
Total liabilities	<u>8,512,118</u>	<u>9,910,677</u>
Net Assets:		
Without donor restrictions		
Undesignated	4,200,908	3,167,076
Designated by governing board as reserve for:		
Debt retirement (Note 12)	272,400	331,360
Total net assets without donor restrictions	4,473,308	3,498,436
With donor restrictions (Note 13)	3,248,497	2,823,669
Total net assets	<u>7,721,805</u>	<u>6,322,105</u>
Total liabilities and net assets	<u>\$ 16,233,923</u>	<u>\$ 16,232,782</u>

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

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2019**

	<b><u>WITHOUT DONOR RESTRICTIONS</u></b>	<b><u>WITH DONOR RESTRICTIONS</u></b>	<b><u>TOTAL</u></b>	
			<b><u>2020</u></b>	<b><u>2019</u></b>
<b>SUPPORT AND REVENUE</b>				
<b>Support:</b>				
General ministry contributions	\$ 5,301,345	\$ 57,257	\$ 5,358,602	\$ 4,720,287
North American ministry contributions	100,863	1,795,365	1,896,228	1,865,651
International ministry contributions	407,633	1,455,557	1,863,190	1,594,339
Relief ministry contributions		413,059	413,059	571,029
Gift portion of annuities	120,600		120,600	196,133
Legacies	1,145,683		1,145,683	749,997
Publication contributions		78,441	78,441	92,420
Capital campaign		135,510	135,510	367,575
Gift-in-kind	8,616		8,616	36,427
Total support	<u>7,084,740</u>	<u>3,935,189</u>	<u>11,019,929</u>	<u>10,193,858</u>
<b>Revenue:</b>				
Ministry, publications, audio and video	985,978		985,978	1,011,715
Conference and special functions	18,225		18,225	150,311
Interest and dividends	40,860		40,860	47,642
Other revenue	7,762		7,762	(30,489)
Total revenue	<u>1,052,825</u>	<u>-</u>	<u>1,052,825</u>	<u>1,179,179</u>
Total support and revenue	<u>8,137,565</u>	<u>3,935,189</u>	<u>12,072,754</u>	<u>11,373,037</u>
<b>RECLASSIFICATIONS:</b>				
Satisfaction of restriction (Note 13)	<u>3,542,867</u>	<u>(3,542,867)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program services:				
Outreach ministries	1,646,569		1,646,569	1,410,954
Publication ministries	1,975,420		1,975,420	2,104,237
North American ministries	2,164,879		2,164,879	2,348,920
International ministries	2,671,187		2,671,187	2,159,064
Relief ministries	341,252		341,252	576,173
Institute of Jewish Studies				6,088
Conference and special functions	113,662		113,662	620,829
Total program services	<u>8,912,969</u>	<u>-</u>	<u>8,912,969</u>	<u>9,226,265</u>
Supporting activities:				
Management and general	2,192,460		2,192,460	2,111,660
Stewardship and fundraising	580,785		580,785	637,673
Total supporting services	<u>2,773,245</u>	<u>-</u>	<u>2,773,245</u>	<u>2,749,333</u>
Total expenses	<u>11,686,214</u>	<u>-</u>	<u>11,686,214</u>	<u>11,975,598</u>
Change in Net Assets Before Other Changes	(5,782)	392,322	386,540	(602,561)

Schedule 2 (continued)

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

**UNCONSOLIDATED SCHEDULE OF ACTIVITIES – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2019**

	<b><u>WITHOUT DONOR RESTRICTIONS</u></b>	<b><u>WITH DONOR RESTRICTIONS</u></b>	<b><u>TOTAL</u></b>	
			<b><u>2020</u></b>	<b><u>2019</u></b>
Change in Net Assets Before Other Changes	\$ (5,782)	\$ 392,322	\$ 386,540	\$ (602,561)
<b>OTHER CHANGES IN NET ASSETS</b>				
Realized and unrealized gain(loss) on investments	39,542		39,542	153,127
Change in actuarial value of gift annuities and trusts	(65,805)	32,506	(33,299)	479,365
Grant for capital project in Jerusalem				(600,000)
Paycheck Protection Program loan forgiven	<u>1,006,917</u>		<u>1,006,917</u>	<u>-</u>
Total other changes in net assets	<u>980,654</u>	<u>32,506</u>	<u>1,013,160</u>	<u>32,492</u>
<b>Change in Net Assets</b>	974,872	424,828	1,399,700	(570,069)
<b>Net Assets, Beginning of Year</b>	<u>3,498,436</u>	<u>2,823,669</u>	<u>6,322,105</u>	<u>6,892,174</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,473,308</u>	<u>\$ 3,248,497</u>	<u>\$ 7,721,805</u>	<u>\$ 6,322,105</u>

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

**UNCONSOLIDATED SCHEDULE OF CASH FLOWS – (FOI-USA)  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,399,700	\$ (570,069)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	358,746	339,782
Realized and unrealized gain on investments	(290,814)	(700,366)
Loss on disposal of fixed asset		42,357
Actuarial change in value of annuities, net payments	523,492	397,766
Change in value of irrevocable trusts	(12,665)	(36,133)
Change in value of beneficial interest in trust	(23,230)	(73,754)
Contributions restricted for capital renovations	(135,510)	(367,375)
Changes in:		
Accounts and other receivables	(5,543)	67,167
Legacies receivable	130,833	(130,833)
Inventory	25,398	(68,103)
Prepaid expenses	(36,746)	12,999
Restricted cash	(4)	43,857
Accounts payable and accrued expenses	(514,031)	400,401
Deferred compensation	(2,859)	(1,003)
Deferred revenue	(42,251)	18,213
Net cash provided by operating activities	<u>1,374,516</u>	<u>(625,094)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from contributions restricted for capital renovations	135,510	367,375
Proceeds from the sale of investments	1,361,377	2,985,128
Proceeds from sale of fixed assets	-	253,151
Purchase of investments	(1,794,497)	(1,855,282)
Purchase of property and equipment	(12,018)	(414,046)
Purchase of construction in progress	(13,130)	-
Net cash provided (used) by investing activities	<u>(322,758)</u>	<u>1,336,326</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	-	-
Payment of notes and mortgage	(706,924)	(444,357)
Payment on annuity and irrevocable trusts agreements	(794,668)	(782,711)
Face value of new annuities, net of contribution	139,400	236,926
Investment loss on irrevocable trust assets	11,947	48,569
Net cash used by financing activities	<u>(1,350,245)</u>	<u>(941,573)</u>
<b>Change in cash and cash equivalents</b>	<u>(298,487)</u>	<u>(230,341)</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,593,735</u>	<u>1,824,076</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,295,248</u>	<u>\$ 1,593,735</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest on debt - non capitalized	<u>\$ 155,052</u>	<u>\$ 139,259</u>
Noncash transactions :		
Donated securities	<u>\$ 126,837</u>	<u>\$ 184,253</u>