The JOSHUA FUND

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

CAPINCROUSE LLP

THE JOSHUA FUND

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Joshua Fund
McLean, Virginia

We have audited the accompanying consolidated financial statements of The Joshua Fund and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Board of Directors
The Joshua Fund
McLean, Virginia

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Joshua Fund and its subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Joshua Fund has adopted Financial Standards Accounting Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as described in note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017 consolidated financial statements. Our opinion is not modified in respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
May 6, 2019

THE JOSHUA FUND

Consolidated Statements of Financial Position

	December 31, 2018	December 31, 2017
ASSETS:		
Cash and cash equivalents	$ 3,242,165	$ 3,472,801
Certificates of deposit	1,848,829	1,568,818
Inventory	43,615	321,505
Prepaid expenses and other assets	36,545	47,344
Property and equipment–net	48,242	118,008
Total Assets	$ 5,219,396	$ 5,528,476
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 177,697	$ 73,749
Net assets:		
Without donor restrictions:		
Operating	3,455,698	3,821,230
Board designated	1,500,000	1,500,000
Equity in property and equipment	48,242	118,008
	5,003,940	5,439,238
With donor restrictions:	37,759	15,489
	5,041,699	5,454,727
Total Liabilities and Net Assets	$ 5,219,396	$ 5,528,476

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Support and Revenue:						
Contributions	$ 5,628,200	$ 173,691	$ 5,801,891	$ 5,913,772	$ 246,486	$ 6,160,258
Interest and other income	55,975	-	55,975	36,223	-	36,223
Total Support and Revenue	5,684,175	173,691	5,857,866	5,949,995	246,486	6,196,481
Net Assets Released:						
Purpose restrictions	151,421	(151,421)	-	340,185	(340,185)	-
Expenses:						
Program services	5,015,248	-	5,015,248	4,983,705	-	4,983,705
Supporting activities:						
General and administrative	1,150,149	-	1,150,149	1,139,820	-	1,139,820
Fund-raising	60,574	-	60,574	43,314	-	43,314
Total Expenses	6,225,971	-	6,225,971	6,166,839	-	6,166,839
Change in Net Assets From Operation	(390,375)	22,270	(368,105)	123,341	(93,699)	29,642
NON-OPERATING:						
Gain (loss) on exchange rate	(44,923)	-	(44,923)	39,077	-	39,077
Change in Net Assets	(435,298)	22,270	(413,028)	162,418	(93,699)	68,719
Net Assets, Beginning of Year	5,439,238	15,489	5,454,727	5,276,820	109,188	5,386,008
Net Assets, End of Year	$ 5,003,940	$ 37,759	$ 5,041,699	$ 5,439,238	$ 15,489	$ 5,454,727

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

		Supporting Activities			
	Program Services	General and Administrative	Fund-raising	Supporting Activities Total	Total Expenses
Grants and contracts	$ 3,321,314	$ -	$ -	$ -	$ 3,321,314
Salaries and benefits	721,024	584,001	15,000	599,001	1,320,025
Professional services	127,067	348,172	11,440	359,612	486,679
Travel and hospitality	429,840	14,042	4,180	18,222	448,062
Communications	134,538	17,958	22,402	40,360	174,898
Equipment and facilities	119,883	7,686	-	7,686	127,569
Fees and insurance	10,836	74,809	2,771	77,580	88,416
Depreciation and amortization	65,891	13,024	-	13,024	78,915
Information technology	15,748	43,786	-	43,786	59,534
Organizational expenses	1,755	39,455	-	39,455	41,210
Other operating expenses	37,333	557	2,743	3,300	40,633
Office expenses	30,019	6,659	2,038	8,697	38,716
Total Expenses	$ 5,015,248	$ 1,150,149	$ 60,574	$ 1,210,723	$ 6,225,971
Percent of Total Expenses	81%	18%	1%	19%	100%

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

		Supporting Activities			
	Program Services	General and Administrative	Fund-raising	Supporting Activities Total	Total Expenses
Grants and contracts	$ 3,410,477	$ -	$ -	$ -	$ 3,410,477
Salaries and benefits	646,479	611,526	12,500	624,026	1,270,505
Professional services	128,155	281,964	8,675	290,639	418,794
Travel and hospitality	457,414	19,589	-	19,589	477,003
Communications	68,519	16,284	17,046	33,330	101,849
Equipment and facilities	147,213	6,729	-	6,729	153,942
Fees and insurance	12,149	79,616	-	79,616	91,765
Depreciation and amortization	32,029	12,604	-	12,604	44,633
Information technology	19,937	39,989	12	40,001	59,938
Organizational expenses	-	62,951	-	62,951	62,951
Other operating expenses	20,847	884	4,485	5,369	26,216
Office expenses	40,486	7,684	596	8,280	48,766
Total Expenses	$ 4,983,705	$ 1,139,820	$ 43,314	$ 1,183,134	$ 6,166,839
Percent of Total Expenses	81%	18%	1%	19%	100%

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statements of Cash Flows

	Year Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (413,028)	$ 68,719
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	57,839	44,632
Interest income on certificates of deposit	(89,493)	53,770
Gain on sale of property and equipment	(9,477)	-
Changes in operating assets and liabilities:		
Inventory	277,890	(18,176)
Prepaid expenses and other assets	10,799	(2,446)
Accounts payable and accrued expenses	103,948	(242,104)
Net Cash Used by Operating Activities	(61,522)	(95,605)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of certificates of deposit	1,287,482	1,473,000
Purchases of certificates of deposit	(1,478,000)	(1,539,000)
Proceeds from sale of property and equipment	26,530	-
Purchases of property and equipment	(5,126)	(27,062)
Net Cash Used by Investing Activities	(169,114)	(93,062)
Net Change in Cash and Cash Equivalents	(230,636)	(188,667)
Cash and Cash Equivalents, Beginning of Year	3,472,801	3,661,468
Cash and Cash Equivalents, End of Year	$ 3,242,165	$ 3,472,801

See notes to consolidated financial statements

1. NATURE OF ORGANIZATION:

The Joshua Fund (TJF) is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, TJF is subject to federal income tax on any unrelated business taxable income. In addition, TJF is not classified as a private foundation within the meaning of Section 509(a) of the IRC. TJF was founded in 2006 to bless Israel and her neighbors in the name of Jesus, according to Genesis 12:1-3. Blessing Israel and the nations of the Middle East means praying for the peace of Jerusalem, bringing good news to the afflicted, caring for the poor, and being a light to the nations of the Middle East. TJF relies primarily on contributions to operate and conduct its programs and activities.

TJF established The Joshua Fund (R.A.) (TJFRA) in Israel in 2008. TJFRA is registered as a non-profit association under Israeli laws. TJFRA's goals in general are to promote social justice by establishing and managing a fund for humanitarian assistance to the needy in Israel regardless of religion, race or gender, and also by initiating and managing social and humanitarian projects in the State of Israel.

During the year ended December 31, 2013, TJF established a limited liability corporation (LLC) incorporated in the State of Delaware, established in order to further TJF's missions to the Middle East.

The financial resources of TJFRA and the LLC noted above are consolidated in these financial statements because TJF is the sole member or they are controlled and economically dependent upon TJF.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

TJF maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial resources and activities of TJF, TJFRA, and the LLC. All material transactions and balances between TJF, TJFRA, and the LLC have been eliminated in the consolidation. TJF, TJFRA, and the LLC will collectively be referred to as TJF.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FOREIGN OPERATIONS

Management has reviewed the assets in other countries and, in its opinion, determined they are under the control and ownership of the ministry and meet the requirements for consolidation as set forth by the Not-for-Profit-Entities Topic of the FASB ASC. While such items are recognized as assets of the ministry, it should be noted that the political situation in many other countries is subject to rapid change. Therefore, the reader should be aware that while the ministry believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood the carrying value of the assets in other countries may not be representative of the amount that could be realized should the assets be sold. The account balances relating to foreign operations are reflected in the consolidated financial statements in U.S. dollars.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term, highly liquid investments with an original maturity term of three months or less. TJF has cash and cash equivalents on deposit with financial institutions that exceeded federally insured limits by approximately $2,010,000 and $1,998,000 as of December 31, 2018 and 2017, respectively. TJF has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

CERTIFICATES OF DEPOSIT

Certificates of deposit consist of certificates of deposit with an original maturity term of more than three months and are carried at cost.

INVENTORY

Inventory is stated using the first-in-first-out method at lower of cost or net realizable value. No obsolescence is recorded because the inventory items that are obsolete are not included in the inventory valuation.

PROPERTY AND EQUIPMENT

TJF capitalizes property and equipment purchases exceeding $3,000 and expenses lesser amounts in the year purchased. Property and equipment are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of three to ten years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS
The net assets of TJF are reported in the following classes:

Net assets without donor restrictions are currently available at the discretion of the board for use in the organization's operations and those resources invested in property and equipment.

Net assets with donor restrictions include resources restricted by donors primarily for use with certain projects.

SUPPORT AND REVENUE
Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. Contributions of goods, services, and other assets are recorded at the fair market value at the time of the gift. Contributed services of $50,000 and $62,500 are included in contributions in the consolidated statements of activities for the years ended December 31, 2018 and 2017, respectively. TJF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the contributed amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

FUNCTIONAL ALLOCATION OF EXPENSES
The statements of functional expenses report certain categories of expenses that are attributable to program or support activities of TJF. These expenses include depreciation and amortization, which are allocated based on the useful lives of the assets. Salaries and benefits are allocated based on time and effort, and costs of other categories are allocated based on the purpose of the expense.

RECLASSIFICATIONS
During the year ended December 31, 2017, $150,145 of contributions with donor restrictions and releases from restrictions was overstated on the consolidated statements of activities. This amount has been removed from both of those numbers, and therefore there is no change in the amount reported for the change in net assets, net assets without donor restrictions, or net assets with donor restrictions as of and for the year ended December 31, 2017.

RECENTLY ISSUED ACCOUNTING STANDARDS
In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, TJF adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, a new disclosure was added regarding liquidity and the availability of resources (note 3).

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects TJF's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, are contributions received with donor specified restrictions not expected to be used within the upcoming fiscal year, or the governing board has set aside the funds for specific contingency reserves and projects. TJF structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Because TJF provides resources to partners in a region of the world that sometimes experiences unrest, TJF endeavors to keep adequate liquidity to meet short-term critical and humanitarian needs emanating from crisis events. Management monitors cash flows closely through board meetings and detailed financial analysis.

	December 31,	
	2018	2017
Financial assets:		
Cash and cash equivalents	$ 3,242,165	$ 3,472,801
Certificates of deposit	1,848,829	1,568,818
Financial assets, at year-end	5,090,994	5,041,619
Less those unavailable for general expenditures within one year, due to:		
Board designated	(1,500,000)	(1,500,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,590,994	$ 3,541,619

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2018	2017
Vehicles	$ 255,949	$ 255,949
Software	195,379	195,379
Website development	38,190	37,190
Furniture, fixtures, and equipment	16,691	111,038
Leasehold improvements	-	8,887
	506,209	608,443
Less: Accumulated depreciation and amortization	(457,967)	(490,435)
	$ 48,242	$ 118,008

5. BOARD DESIGNATED:
TJF has board designated net assets of $1,500,000 for both of the years ended December 31, 2018 and 2017. This consists of board designated funds of $1,000,000 for operating reserves and $500,000 for cash reserves for both years.

6. NET ASSETS WITH DONOR RESTRICTIONS:
Net assets with donor restrictions consist of the following as of:

	December 31,	
	2018	2017
Israeli relief projects	$ 19,272	$ 200
Humanitarian projects	18,292	15,289
Translation	195	-
	$ 37,759	$ 15,489

7. FOREIGN OPERATIONS:
In connection with TJFRA and its ministry in Israel and neighboring countries, TJF has certain supporting facilities outside the United States of America. Assets in other countries consist of:

	December 31,	
	2018	2017
Cash and cash equivalents	$ 574,395	$ 281,136
Inventory	43,614	321,505
Prepaid expenses and other assets	9,292	14,914
Property and equipment–net	5,154	42,342
Accounts payable and accrued expenses	(65,138)	(37,794)
	$ 567,317	$ 622,103

8. COMMITMENTS:
TJF has accounting service agreements and also leases office and warehouse space through various cancellable and noncancellable operating leases. The warehouse lease ended in October 2018. Service agreement and rent expense, for both cancellable and noncancellable commitments, for the years ended December 31, 2018 and 2017, was $101,896 and $378,208, respectively. Future minimum payments for the year ending December 31, 2019 total $17,655.

9. RETIREMENT PLAN:

TJF sponsors a 401(k) defined contribution plan for all employees who are over the age of 21 and have worked at TJF for at least a year. TJF provides a direct match up to 3% of employee contributions and 1/2 match of employee contributions between 3% and 5%. Total contributions were $26,458 and $24,121 for the years ended December 31, 2018 and 2017, respectively.

10. OPERATING AND NON-OPERATING ACTIVITIES:

The activity of TJF has been reported in the consolidated statements of activities in the following two categories: operating and non-operating. Operating includes the core activities of the organization. Non-operating includes all other activities that are not recurring and normally carried on in the course of TJF's operations, consisting of the gains and losses related to foreign translation differences during the years ended December 31, 2018 and 2017.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through May 6, 2019, which is the date the consolidated financial statements were available to be issued.