The JOSHUA FUND

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2012 and 2011

CAPINCROUSE LLP
Certified Public Accountants

THE JOSHUA FUND

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CAPINCROUSE LLP
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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, 2012 and 2011, and the related consolidated statements of activities 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.

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, 2012 and 2011, 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.

Capin Crouse LLP

Colorado Springs, Colorado
July 12, 2013

THE JOSHUA FUND

Consolidated Statements of Financial Position

	December 31, 2012	December 31, 2011
ASSETS:		
Cash and cash equivalents	$ 5,649,837	$ 3,636,933
Certificates of deposit	1,005,374	1,000,000
Inventory	346,960	233,503
Prepaid expenses and other assets	34,802	30,096
Property and equipment–net	261,220	200,438
Total Assets	$ 7,298,193	$ 5,100,970
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 60,738	$ 27,235
Grants payable	-	91,000
	60,738	118,235
Net assets:		
Unrestricted:		
Operating	5,484,000	1,778,421
Board designated	1,000,000	3,000,000
Equity in property and equipment	261,220	200,438
	6,745,220	4,978,859
Temporarily restricted	492,235	3,876
	7,237,455	4,982,735
Total Liabilities and Net Assets	$ 7,298,193	$ 5,100,970

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statements of Activities

	Year Ended December 31,					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 7,577,363	$ 671,697	$ 8,249,060	$ 5,736,550	$ 108,830	$ 5,845,380
Interest and other income (loss)	53,358	-	53,358	(35,484)	-	(35,484)
Total Support and Revenue	7,630,721	671,697	8,302,418	5,701,066	108,830	5,809,896
NET ASSETS RELEASED:						
Purpose restrictions	183,338	(183,338)	-	117,421	(117,421)	-
EXPENSES:						
Program services	4,813,135	-	4,813,135	4,720,850	-	4,720,850
Supporting activities:						
General and administrative	1,092,333	-	1,092,333	1,048,636	-	1,048,636
Fund-raising	142,230	-	142,230	152,552	-	152,552
Total Expenses	6,047,698	-	6,047,698	5,922,038	-	5,922,038
Change in Net Assets	1,766,361	488,359	2,254,720	(103,551)	(8,591)	(112,142)
Net Assets, Beginning of Year	4,978,859	3,876	4,982,735	5,082,410	12,467	5,094,877
Net Assets, End of Year	$ 6,745,220	$ 492,235	$ 7,237,455	$ 4,978,859	$ 3,876	$ 4,982,735

See notes to consolidated financial statements

THE JOSHUA FUND

Consolidated Statements of Cash Flows

	Year Ended December 31, 2012	Year Ended December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,254,720	$ (112,142)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	86,270	77,004
Contributions of noncash gifts	(8,619)	(87,135)
Interest income on certificates of deposit	(5,374)	-
Changes in operating assets and liabilities:		
Inventory	(113,457)	(44,434)
Prepaid expenses and other assets	(4,706)	(8,606)
Accounts payable and accrued expenses	33,503	(969)
Grants payable	(91,000)	23,270
Net Cash Provided (Used) by Operating Activities	2,151,337	(153,012)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	-	(1,000,000)
Proceeds from sales of noncash gifts	8,619	87,135
Purchases of property and equipment	(147,052)	(10,478)
Net Cash Used by Investing Activities	(138,433)	(923,343)
Net Change in Cash and Cash Equivalents	2,012,904	(1,076,355)
Cash and Cash Equivalents, Beginning of Year	3,636,933	4,713,288
Cash and Cash Equivalents, End of Year	$ 5,649,837	$ 3,636,933

See notes to consolidated financial statements

THE JOSHUA FUND

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

1. NATURE OF ORGANIZATION:

The Joshua Fund (TJF), a nonprofit organization incorporated in the State of Virginia, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). 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.

The financial resources of TJFRA are consolidated in these financial statements because TJFRA is economically dependent upon TJF and its board of directors is appointed by 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 and TJFRA. All material transactions and balances between TJF and TJFRA have been eliminated in the consolidation. TJF and TJFRA will collectively be referred to as TJF.

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 or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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. The balances exceeded federally insured limits by approximately $4,700,000 and $2,700,000, as of December 31, 2012 and 2011 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 at the lower of cost or market using the weighted-average method, which approximates the first-in-first-out method. 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 five years.

CLASSES OF NET ASSETS

The net assets of TJF are reported in the following classes:

Unrestricted net assets are currently available at the discretion of the board for use in the organization's operations and those resources invested in property and equipment.

Temporarily restricted net assets 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 the fair market value at the time of the gift. Contributed services of $85,000 are included in contributions in the consolidated statements of activities for the years ended December 31, 2012 and 2011, 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as salaries and benefits and depreciation, have been allocated among the program services and supporting activities benefited.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated 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 included in expenses in the consolidated statements of activities. As of December 31, 2012, TJF had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

TJF's federal Exempt Organization Business Income Tax Returns (Form 990) for the years ended December 31, 2011, 2010, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	December 31, 2012	December 31, 2011
Vehicles	$ 273,170	$ 191,622
Equipment	86,951	31,316
Software	91,860	91,860
Website development	21,878	21,878
	473,859	336,676
Less: Accumulated amortization	(212,639)	(136,238)
	$ 261,220	$ 200,438

4. BOARD DESIGNATED:

Board designated net assets consist of:

	December 31, 2012	December 31, 2011
Warehouse purchase	$ -	$ 2,000,000
Operating reserve	1,000,000	1,000,000
	$ 1,000,000	$ 3,000,000

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following as of:

	December 31, 2012	December 31, 2011
Israeli relief projects	$ 378,545	$ -
Humanitarian projects	81,375	-
Holocaust and Jewish relief	15,588	-
Warehouse and supplies	9,824	-
War preparation	550	-
Translation	-	200
Other projects	6,353	3,676
	$ 492,235	$ 3,876

6. 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, 2012	December 31, 2011
Cash and cash equivalents	$ 1,390,221	$ 1,385,778
Inventory	346,960	233,503
Prepaid expenses and other assets	19,560	11,566
Property and equipment–net	220,216	182,004
Accounts payable and accrued expenses	(8,538)	(23,606)
	$ 1,968,419	$ 1,789,245

7. COMMITMENTS:

TJF leases office and warehouse space through various cancellable and noncancellable operating leases. Rent expense, for both cancellable and noncancellable leases, for the years ended December 31, 2012 and 2011, was \$136,456 and \$120,679, respectively. Future minimum lease payments under the noncancellable operating leases for the year ending December 31, 2013, are \$142,333.

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.