

The logo for The Joshua Fund features a stylized blue wave above the word "The" in a serif font, followed by "JOSHUA FUND" in a larger, bold serif font.

The JOSHUA FUND

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

THE JOSHUA FUND

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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
April 22, 2020

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Consolidated Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 2,790,659	\$ 3,242,165
Restricted cash	33,043	-
Certificates of deposit	1,901,177	1,848,829
Inventory	36,138	43,615
Prepaid expenses and other assets	64,942	36,545
Property and equipment–net	19,988	48,242
Total Assets	\$ 4,845,947	\$ 5,219,396
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 164,135	\$ 177,697
Net assets:		
Without donor restrictions:		
Operating	3,664,509	3,503,940
Board designated	1,000,000	1,500,000
	4,664,509	5,003,940
With donor restrictions:	17,303	37,759
	4,681,812	5,041,699
Total Liabilities and Net Assets	\$ 4,845,947	\$ 5,219,396

See notes to consolidated financial statements

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Consolidated Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Support and Revenue:						
Contributions	\$ 5,307,601	\$ 162,096	\$ 5,469,697	\$ 5,628,200	\$ 173,691	\$ 5,801,891
Interest and other income	101,755	-	101,755	55,975	-	55,975
Total Support and Revenue	5,409,356	162,096	5,571,452	5,684,175	173,691	5,857,866
Net Assets Released:						
Purpose restrictions	182,552	(182,552)	-	151,421	(151,421)	-
Expenses:						
Program services	4,849,513	-	4,849,513	5,015,248	-	5,015,248
Supporting activities:						
General and administrative	1,043,880	-	1,043,880	1,150,149	-	1,150,149
Fundraising	65,052	-	65,052	60,574	-	60,574
Total Expenses	5,958,445	-	5,958,445	6,225,971	-	6,225,971
Change in Net Assets From Operations	(366,537)	(20,456)	(386,993)	(390,375)	22,270	(368,105)
NON-OPERATING:						
Gain (loss) on exchange rate	27,106	-	27,106	(44,923)	-	(44,923)
Change in Net Assets	(339,431)	(20,456)	(359,887)	(435,298)	22,270	(413,028)
Net Assets, Beginning of Year	5,003,940	37,759	5,041,699	5,439,238	15,489	5,454,727
Net Assets, End of Year	\$ 4,664,509	\$ 17,303	\$ 4,681,812	\$ 5,003,940	\$ 37,759	\$ 5,041,699

See notes to consolidated financial statements

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Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Supporting Activities		Supporting Activities Total	Total Expenses
		General and Administrative	Fundraising		
Grants and contracts	\$ 3,180,004	\$ -	\$ -	\$ -	\$ 3,180,004
Salaries and benefits	812,749	513,934	30,196	544,130	1,356,879
Travel and hospitality	507,725	31,115	-	31,115	538,840
Professional services	104,244	212,697	6,799	219,496	323,740
Communications	110,509	15,435	23,332	38,767	149,276
Fees and insurance	8,591	165,538	-	165,538	174,129
Equipment and facilities	42,560	3,034	276	3,310	45,870
Information technology	20,396	42,548	480	43,028	63,424
Organizational expenses	58	48,218	-	48,218	48,276
Other operating expenses	22,180	1,659	2,408	4,067	26,247
Depreciation and amortization	27,895	1,650	-	1,650	29,545
Office expenses	12,602	8,052	1,561	9,613	22,215
Total Expenses	\$ 4,849,513	\$ 1,043,880	\$ 65,052	\$ 1,108,932	\$ 5,958,445
Percent of Total Expenses	81%	18%	1%	19%	100%

See notes to consolidated financial statements

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Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Supporting Activities				Total Expenses
	Program Services	General and Administrative	Fund- raising	Supporting Activities Total	
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
Other operating expenses	58,409	557	2,743	3,300	61,709
Depreciation and amortization	44,815	13,024	-	13,024	57,839
Information technology	15,748	43,786	-	43,786	59,534
Organizational expenses	1,755	39,455	-	39,455	41,210
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

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Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (359,887)	\$ (413,028)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	29,545	57,839
Interest income on certificates of deposit	33,409	(89,493)
Gain on sale of property and equipment	(6,462)	(9,477)
Changes in operating assets and liabilities:		
Inventory	7,477	277,890
Prepaid expenses and other assets	(28,397)	10,799
Accounts payable and accrued expenses	(13,562)	103,948
Net Cash Used by Operating Activities	(337,877)	(61,522)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of certificates of deposit	1,507,560	1,287,482
Purchases of certificates of deposit	(1,593,317)	(1,478,000)
Proceeds from sale of property and equipment	11,032	26,530
Purchases of property and equipment	(5,861)	(5,126)
Net Cash Used by Investing Activities	(80,586)	(169,114)
Net Change in Cash and Cash Equivalents and Restricted Cash	(418,463)	(230,636)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	3,242,165	3,472,801
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 2,823,702	\$ 3,242,165

See notes to consolidated financial statements

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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 \$1,490,000 and \$2,010,000 as of December 31, 2019 and 2018, respectively. TJF has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

RESTRICTED CASH

Restricted cash consists of funds on deposit with a financial institution as collateral for foreign currency exchange transactions.

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.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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 TJF's operations.

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 \$133,300 and \$50,000 are included in contributions in the consolidated statements of activities for the years ended December 31, 2019 and 2018, 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.

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Notes to Consolidated Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. TJF adopted the provisions of this new standard during the year ended December 31, 2019. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had no effect on change in net assets or net assets in total.

In 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)—Restricted Cash*. TJF adopted the provisions of this new standard during the year ended December 31, 2019. This new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. It also requires disclosures about the nature of restrictions on its cash, cash equivalents, and amounts generally described as restricted cash. Adoption of this standard had no effect on change in net assets or net assets in total.

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. TJF adopted the provisions of this new standard during the year ended December 31, 2019. This new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects TJF's financial assets as of December 31, 2019 and 2018, 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, 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,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 2,790,659	\$ 3,242,165
Restricted cash	33,043	-
Certificates of deposit	1,901,177	1,848,829
Financial assets, at year-end	4,724,879	5,090,994
Less those unavailable for general expenditures within one year, due to:		
Restricted cash	(33,043)	-
Board designated	(1,000,000)	(1,500,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,691,836	\$ 3,590,994

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	December 31,	
	2019	2018
Vehicles	\$ 175,227	\$ 255,949
Software	195,379	195,379
Website development	37,190	38,190
Furniture, fixtures, and equipment	7,705	16,691
	415,501	506,209
Less: Accumulated depreciation and amortization	(395,513)	(457,967)
	\$ 19,988	\$ 48,242

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

5. BOARD DESIGNATED:

TJF has board designated net assets of \$1,000,000 and \$1,500,000 as of December 31, 2019 and 2018, respectively. Both balances consist of board designated funds for safety reserves.

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following as of:

	December 31,	
	2019	2018
Israeli relief projects	\$ 14,609	\$ 19,272
Humanitarian projects	2,694	18,292
Translation	-	195
	<u>\$ 17,303</u>	<u>\$ 37,759</u>

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 and liabilities in other countries consist of:

	December 31,	
	2019	2018
Cash and cash equivalents	\$ 453,779	\$ 574,395
Inventory	36,139	43,614
Prepaid expenses and other assets	12,222	9,722
Property and equipment—net	92	5,154
Accounts payable and accrued expenses	(61,300)	(65,138)
	<u>\$ 440,932</u>	<u>\$ 567,747</u>

8. COMMITMENTS:

TJF has accounting service agreements and also leases an apartment 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, 2019 and 2018, was \$359,600 and \$437,790, respectively.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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 \$26,184 and \$26,458 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 22, 2020, which is the date the consolidated financial statements were available to be issued.