

Samaritan's Feet International
Financial Statements
December 31, 2019

Samaritan's Feet International
Table of Contents
December 31, 2019

Independent Auditor's Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12



Independent Auditor's Report

To the Board of Directors of
Samaritan's Feet International

Prager Metis CPAs, PLLC

10815 SIKES PLACE
SUITE 100
CHARLOTTE, NC 28277

T 704.841.9800
F 704.841.9802

www.pragermetis.com

We have audited the accompanying financial statements of Samaritan's Feet International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the entity has elected to change its method for valuing inventory. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samaritan's Feet International as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prager Metis CPAs, PLLC

Prager Metis CPAs, PLLC
Charlotte, North Carolina
May 14, 2021

Samaritan's Feet International

Statement of Financial Position

December 31, 2019

Assets

Current assets

Cash and cash equivalents	\$	378,195
Contributions receivable, net		90,481
Inventory		6,092,298
Prepaid expenses and other		178
Total current assets	\$	6,561,152

Property and equipment

Vehicles		33,370
Furniture, fixtures and equipment		133,534
Total		166,904
Accumulated depreciation		(156,737)
Total property and equipment		10,167

Deposits		6,600
----------	--	-------

Total assets	\$	6,577,919
---------------------	-----------	------------------

Liabilities and net assets

Current liabilities

Line of credit	\$	202,590
Accounts payable and accrued expenses		73,063
Deferred rent expense		14,909
Unearned revenue		35,105
Total current liabilities		325,667

Net assets

Without donor restrictions		159,954
With donor restrictions		6,092,298
Total net assets		6,252,252

Total liabilities and net assets	\$	6,577,919
---	-----------	------------------

The accompanying notes are an integral part of these financial statements.

Samaritan's Feet International

Statement of Activities

For the year ended December 31, 2019

	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Revenue			
Contributions and grants	\$ 2,626,154	\$ -	\$ 2,626,154
Champions of Hope	956,289	-	956,289
Missions	311,622	-	311,622
In-kind donations	-	5,354,273	5,354,273
Other	15,889	-	15,889
Net assets released from restriction:			
Satisfaction of program restrictions	1,292,274	(1,292,274)	-
Total revenue	5,202,228	4,061,999	9,264,227
Expenses			
Program services	4,502,827	-	4,502,827
Management and general	294,322	-	294,322
Fundraising	450,324	-	450,324
Total expenses	5,247,473	-	5,247,473
Change in net assets	(45,245)	4,061,999	4,016,754
Net assets, beginning of year, as originally reported	205,199	923,655	1,128,854
Prior period adjustment for change in accounting principle	-	1,106,644	1,106,644
Net assets, beginning of year, as adjusted	205,199	2,030,299	2,235,498
Net assets, end of year	<u>\$ 159,954</u>	<u>\$ 6,092,298</u>	<u>\$ 6,252,252</u>

The accompanying notes are an integral part of these financial statements.

Samaritan's Feet International

Statement of Functional Expenses

For the year ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel				
Salaries	\$ 906,472	\$ 133,038	\$ 83,774	\$ 1,123,284
Payroll taxes	75,684	4,452	8,904	89,040
Total	<u>982,156</u>	<u>137,490</u>	<u>92,678</u>	<u>1,212,324</u>
Other				
Domestic assistance	869,123	-	-	869,123
International assistance	1,937,742	-	-	1,937,742
Professional services	9,086	12,244	-	21,330
Advertising and promotional	100,622	-	234,785	335,407
Information and technology	-	65,298	-	65,298
Occupancy	187,966	22,114	11,057	221,137
Travel	40,046	16,019	104,120	160,185
Insurance	28,980	-	-	28,980
Transportation and travel	2,934	163	163	3,260
Contract services	59,479	-	-	59,479
Warehouse and logistics	71,704	-	-	71,704
Office expenses	122,489	8,954	7,205	138,648
Bad debt expense	-	11,250	-	11,250
Interest expense	1,818	5,456	-	7,274
Other	83,312	14,702	-	98,014
Total	<u>3,515,301</u>	<u>156,200</u>	<u>357,330</u>	<u>4,028,831</u>
Total expenses before depreciation	4,497,457	293,690	450,008	5,241,155
Depreciation expense	<u>5,370</u>	<u>632</u>	<u>316</u>	<u>6,318</u>
Total expenses	<u>\$ 4,502,827</u>	<u>\$ 294,322</u>	<u>\$ 450,324</u>	<u>\$ 5,247,473</u>

The accompanying notes are an integral part of these financial statements.

Samaritan's Feet International

Statement of Cash Flows

For the year ended December 31, 2019

Cash flows from operating activities

Change in net assets \$ 4,016,754

Adjustments to reconcile increase in net assets
to net cash used in operating activities:

Depreciation 6,318

In-kind donations included in inventory (4,061,999)

Bad debts written off 11,250

(Increase) decrease in:

Receivables (36,578)

Prepaid expenses and other assets 16,608

Increase (decrease) in:

Accounts payable and accrued expenses 1,809

Deferred rent expense 14,909

Unearned revenue 13,005

Net cash used in operating activities (17,924)

Cash flows from investing activities

Purchases of property and equipment (6,966)

Net cash used in investing activities (6,966)

Net decrease in cash and cash equivalents (24,890)

Cash and cash equivalents, beginning of year 403,085

Cash and cash equivalents, end of year \$ 378,195

Supplemental disclosure of cash flow information:

Interest paid \$ 7,274

Significant noncash item:

Donations in kind (inventory) \$ 5,354,273

The accompanying notes are an integral part of these financial statements.

Note 1 Organization and Purpose

Organization and purpose

Samaritan's Feet International ("SFI" or the "Organization") is a North Carolina nonprofit corporation. The Organization is located in Charlotte, North Carolina, and exists to provide shoes to alleviate human suffering. It does this by distributing purchased or donated new shoes nationally and internationally. The Organization's mission statement is "To distribute 10 million pairs of shoes to 10 million children across the world over the course of 10 years."

Funding sources

Activities of the Organization are financed principally by contributions from individuals, congregations, and public and private organizations.

Note 2 Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions consist of amounts currently available for use in the day-to-day operation of the Organization and are not subject to donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets received with restrictions that are met in the same reporting period are included in net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

All net assets except inventory are without donor restrictions at December 31, 2019. Inventory is restricted and must be distributed in accordance with the Organization's mission.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

Note 2 Summary of Significant Accounting Policies (continued)

Contributions and other receivables

Contribution and other receivables are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding contributions and other receivables. Amounts are written off when they are deemed uncollectible. As of December 31, 2019, all receivables were considered by management to be fully collectible. All contribution and other receivables are due within one year of December 31, 2019.

Property and equipment

Property and equipment exceeding \$500 of value are recorded at cost if purchased or fair market value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation is computed using an accelerated method over the estimated useful lives of the assets, which varies from five years for vehicles to five or seven years for furniture, fixtures, and equipment. Depreciation expense for the year ended December 31, 2019 was \$6,318.

Unearned revenue

The Organization collects funds for events and mission trips that occur in future periods. The balance related to these activities was \$35,105 as of December 31, 2019.

Revenue recognition

The Organization recognizes grants and donor contributions upon the earlier of receipt or when unconditionally promised. Grants and donor contributions without donor-imposed restrictions are reported as net assets without restrictions. Grants and donor contributions with donor-imposed restrictions are reported as net assets with donor restrictions and are then reclassified to net assets without donor restrictions when the restrictions have been satisfied. Unconditional promises to give are recorded as promises are made. Conditional promises to give are not included as contributions until such time as the conditions are substantially met. Grants and donor contributions to be received over more than one fiscal year are recorded at the present value of the contribution if the present value discount is material.

Recorded donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. The Organization recorded no contributed services and \$5,354,273 of donated goods for the year ended December 31, 2019.

Note 2 Summary of Significant Accounting Policies (continued)

Other donated goods and services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. Also, the Organization receives clothing and similar noncash contributions, which are distributed or are donated to other nonprofit organizations for distribution.

Advertising

Advertising costs are expensed as incurred. Advertising and promotional costs totaled \$335,407 for the year ended December 31, 2019.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent performing tasks associated with these activities and various allocation methods appropriate to the type of expense.

Federal income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code. Generally accepted accounting procedures require an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization had no uncertain tax positions as of December 31, 2019.

Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates

Change in Accounting Principles

During 2019, the Company changed its method of accounting for inventories from a First In – First Out (FIFO) method to a weighted average costing method. Management believes the previous FIFO method of tracking and valuing inventory does not accurately reflect the Company's process for receiving, purchasing, and utilizing inventory. The change increased the value of beginning inventory and had a cumulative effect on beginning retained earnings by \$1,106,644.

Note 3 Inventory

Inventory is stated at a weighted average cost. Inventory received in-kind is valued based on management's estimate of fair value for each item. Inventory is warehoused at the Organization's warehouses in Charlotte, North Carolina unless in transit. At December 31, 2019, inventory consisted of 859,306 pairs of shoes which had not been distributed.

Note 4 Line of Credit

The Organization has a line of credit with a financial institution which provides for borrowings up to \$275,000. This agreement expired on October 17, 2020 and was renewed through October 17, 2021. The line of credit accrues interest at the greater of a floating rate equal to the index plus 1.7% or the Floor Rate of 5.0%. The rate at December 31, 2019 was 6.45%. Interest expense related to the line of credit totaled \$7,274 for the year ended December 31, 2019. The outstanding balance at December 31, 2019 for this line of credit was \$202,590.

Note 5 Operating Lease

The Organization leases its office and warehouse under an operating lease agreement through February 28, 2021. The Organization records rent expense on a straight-line basis over the lease term. The difference between the payments and expense in any period is recorded as deferred rent, which is \$14,909 at December 31, 2019. Rent expense was \$134,939 for the year ended December 31, 2019 and is included as a component of occupancy on the Statement of Functional Expenses. Future minimum payments due under the operating lease agreement were as follows:

For the year ended December 31:

2020	\$ 147,625
2021	24,724
Total	<u>\$ 172,349</u>

Note 6 Concentrations of Risk

During the year ended December 31, 2019, the Organization received 59 and 39 percent of its in-kind donated shoes from two companies. If the Organization did not receive large in-kind donations from this company or others like it, its operations could be significantly affected.

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2019, the Organization's uninsured cash balances totaled \$128,458.

Note 7 Financial Assets Available to Meet Cash Needs

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year end	\$ 6,567,754
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Inventory	(6,092,298)
Deposits	<u>(6,600)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 468,856</u></u>

Note 8 Subsequent Events

The Organization has evaluated all events subsequent to the financial position date of December 31, 2019 through May 14, 2021 which is the date the financial statements were issued.

During 2020, the global outbreak of COVID-19, was declared a pandemic by the World Health Organization in March 2020. The pandemic has adversely affected, and may continue to adversely affect economic activity globally, nationally, and locally. Due to the pandemic, management has limited shoe distributions, mission trips, and the use of volunteers pending resumption of normal services.