

JONI AND FRIENDS FOUNDATION

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

JONI AND FRIENDS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Joni and Friends Foundation
Agoura Hills, California

We have audited the accompanying financial statements of Joni and Friends Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits 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.

Board of Directors
Joni and Friends Foundation
Agoura Hills, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Joni and Friends Foundation as of December 31, 2019 and 2018, and the changes in its 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

Tarzana, California
April 28, 2020

JONI AND FRIENDS FOUNDATION

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 115,303	\$ 272,395
Receivables	124,765	195,232
Cash held for endowment	137,607	117,607
Land and condominium held for sale	785,000	1,174,700
Endowment investments	4,490,298	4,411,323
Total Assets	\$ 5,652,973	\$ 6,171,257
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accrued expenses	\$ 148,575	\$ 187,468
Note payable	1,000,000	-
	1,148,575	187,468
Net assets:		
Without donor restrictions:		
Undesignated	(113,982)	1,454,859
Board designated endowment funds	1,450,114	1,615,255
	1,336,132	3,070,114
With donor restrictions:		
Endowment funds	3,168,266	2,913,675
Total net assets	4,504,398	5,983,789
Total Liabilities and Net Assets	\$ 5,652,973	\$ 6,171,257

See notes to financial statements

JONI AND FRIENDS FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE AND RECLASSIFICATIONS:						
Contributions	\$ 32,343	\$ 20,000	\$ 52,343	\$ 29,737	\$ 25,000	\$ 54,737
Oil royalty income	519,770	-	519,770	612,672	-	612,672
Royalty partnership income (oil and gas)	200,990	-	200,990	281,402	-	281,402
Donated stock	320,959	-	320,959	291,638	-	291,638
Investment and other income (loss)	(165,141)	234,591	69,450	443,941	840,780	1,284,721
Unrealized loss on real property held for sale	(389,700)	-	(389,700)	-	-	-
Other income	7,791	-	7,791	23,710	-	23,710
Total Support and Revenue	527,012	254,591	781,603	1,683,100	865,780	2,548,880
EXPENSES:						
Grants - Joni and Friends	\$ 1,550,115	\$ -	\$ 1,550,115	\$ 1,563,845	\$ -	\$ 1,563,845
Grants - other	599,477	-	599,477	300,028	-	300,028
Audit and tax services	31,755	-	31,755	11,595	-	11,595
Property tax	29,667	-	29,667	1,737	-	1,737
Federal corporate taxes	25,176	-	25,176	-	-	-
Interest	13,315	-	13,315	-	-	-
Consultants	4,808	-	4,808	10,501	-	10,501
Liability and other insurance	3,977	-	3,977	4,371	-	4,371
Maintenance and repairs	2,704	-	2,704	4,984	-	4,984
Commission fee	-	-	-	8,800	-	8,800
Legal services	-	-	-	6,349	-	6,349
Escrow and title fees	-	-	-	1,050	-	1,050
Utilities	-	-	-	413	-	413
Total Expenses	2,260,994	-	2,260,994	1,913,673	-	1,913,673
Change in Net Assets	(1,733,982)	254,591	(1,479,391)	(230,573)	865,780	635,207
Net Assets, Beginning of Year	3,070,114	2,913,675	5,983,789	3,300,687	2,047,895	5,348,582
Net Assets, End of Year	\$ 1,336,132	\$ 3,168,266	\$ 4,504,398	\$ 3,070,114	\$ 2,913,675	\$ 5,983,789

See notes to financial statements

JONI AND FRIENDS FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,479,391)	\$ 635,207
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Gain on sale of condominium	-	(23,500)
Unrealized gain on investments	(54,028)	(1,261,617)
Net investment income	(24,947)	(23,104)
Unrealized loss on real property held for sale	389,700	-
Net change in:		
Receivables	70,467	(90,576)
Accrued expenses	(38,893)	152,583
Net Cash Used in Operating Activities	(1,137,092)	(611,007)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of condominium	-	99,900
Net Cash Provided by (Used in) Investing Activities	-	99,900
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	1,000,000	-
Net Cash Provided by Financing Activities	1,000,000	-
Change in Cash and Cash Equivalents	(137,092)	(511,107)
Cash and Cash Equivalents, Beginning of Year	390,002	901,109
Cash and Cash Equivalents, End of Year	\$ 252,910	\$ 390,002
SUMMARY OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 115,303	\$ 272,395
Cash held for endowment	137,607	117,607
	\$ 252,910	\$ 390,002
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ -	\$ -

See notes to financial statements

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

1. NATURE OF ORGANIZATION:

Joni and Friends Foundation (JAFF or the Foundation), a nonprofit foundation incorporated in the State of California in November 2014, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state laws. However, the Foundation is subject to federal income tax on any unrelated business taxable income. In addition the organization is not classified as a private foundation within the meaning of Section 509(a) of the Code. The Foundation is a supporting organization, created with the sole purpose of supporting Joni and Friends (JAF), the parent organization. Contributions to the Foundation are exempt from income taxes under Section 170(c)2 of the Code.

JAFF was created to receive, manage, and distribute complex assets, manage the Joni and Friends endowment fund, and assume other actions assisting the work of Joni and Friends (JAF) as are consistent with JAF's purposes. JAF has an economic interest in the Foundation through endowment agreements created to ultimately benefit JAF. JAF also has a controlling interest in the Foundation as JAF controls the Foundation's board. Therefore, JAFF's financial statements are consolidated with JAF, which is the primary reporting entity.

JAF (the parent) was incorporated in 1979 in California as a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Code and comparable state laws. It is also exempt from California state income taxes under Section 23701d of the California Revenue and Taxation Code. JAF has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Code. Contributions by the public are deductible for income tax purposes.

JAF is a religious organization dedicated to accelerating Christian ministry in the disability community. Field and service programs promote a Biblical response toward disabilities, assisting individuals and churches through evangelism, training, encouragement, and practical service. JAF is built on Biblical truth and the foundation of Jesus Christ. The Foundation exists to advance the disability ministry and to change the church and communities around the world by providing financial sustainability and support for the work of JAF.

The Foundation's primary sources of income consist of contributions, grants, gifts-in-kind, and investment income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

For the statements of financial position and cash flow purposes, cash and cash equivalents is comprised of cash on deposit. Cash on deposit may, at times, exceed federally insured limits. In addition, the Foundation maintains its cash in bank deposit accounts that are insured by the National Credit Union Administration (NCUA) which insures an additional \$250,000 of deposits as of December 31, 2019. At December 31, 2019 and 2018, the Foundation's cash balances exceeded federally insured limits by approximately \$253,000 and \$390,000, respectively.

LAND AND CONDOMINIUM HELD FOR SALE

During the year ended December 31, 2016, JAFF received a contribution of a tract of land with various utilities including water and sewer. An independent appraiser valued the land at \$1,174,700. The land was sold in February 2020 for approximately \$785,000. Because the sale of the land was so close to JAFF's fiscal year-end, and because there was no event between December 31, 2019 and the date of sale that impaired the land value, JAFF recorded a write-down of the land at December 31, 2019.

INVESTMENTS

Investments in equity securities with readily determinable fair values are recorded at fair value with gains and losses reported in the statements of activities. Donated investments are recorded at fair value at the date of donation and are thereafter carried at fair value.

The Foundation's alternative investments include a 33% interest in real property (including mineral rights) and a 28.125% interest in a royalty stream. These investments are reported at estimated fair value. At December 31, 2019 and 2018, JAFF received independent valuations of the investments by a qualified appraiser, utilizing the current income method and a capitalization rate of 20% and 16%, respectively (see Note 5).

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risks associated with certain investments, it is reasonably possible that changes in the value of those investments will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are currently available at the discretion of the board for use in the Foundation's operations and those resources invested in a board designated endowment fund.

Net assets with donor restrictions are stipulated by donors for specific operating purposes and are restricted primarily for investment in real property and unappropriated endowment income. Net assets with donor restrictions also represent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available for use without restriction when appropriated for expenditure.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to the Foundation. The Foundation records contributions as contributions with donor restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from net assets with donor restriction to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Foundation receives non-cash gifts which are recorded as support at the estimated fair market value on the date of the gift.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

3. LIQUIDITY:

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

	December 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 115,303	\$ 272,395
Receivables	124,765	195,232
Cash held for endowment	137,607	117,607
Endowment investments	4,490,298	4,411,323
Financial Assets, at year-end	<u>4,867,973</u>	<u>4,996,557</u>
Less those not available for general expenditure within one year		
Cash held for endowment	(137,607)	(117,607)
Investments not available for expenditure	(3,030,659)	(2,796,068)
Investments in board designated endowments	<u>(1,450,114)</u>	<u>(1,615,255)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 249,593</u>	<u>\$ 467,627</u>

The Foundation is substantially supported by investment income. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has \$1,457,989 designated by the board for endowments. The board has the flexibility to use these funds for operations as deemed necessary.

4. ENDOWMENT INVESTMENTS:

Investments consist of:

	December 31,	
	2019	2018
Cash and money markets	\$ 286,700	\$ 10,862
Mutual funds	221,672	198,062
Exchange traded funds	145,111	391,204
Annuities	794,790	745,032
Investment in royalty stream (oil and gas)	1,225,470	1,484,199
Investment in real property	<u>1,816,555</u>	<u>1,581,964</u>
	<u>\$ 4,490,298</u>	<u>\$ 4,411,323</u>

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS:

JAFF uses appropriate valuation techniques to determine fair value based on inputs available. Level 1 investments are determined by observable inputs that reflect quoted market prices in active markets. Level 2 inputs are based on (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 3 investments are based on unobservable inputs and are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets measured on a recurring basis on December 31, 2019, are as follows:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds	\$ 221,672	\$ 221,672	\$ -	\$ -
Exchange traded funds	145,111	145,111	-	-
Annuities	794,790	-	794,790	-
Oil and gas	1,225,470	-	-	1,225,470
Real property	1,816,555	-	-	1,816,555
	4,203,598	\$ 366,783	\$ 794,790	\$ 3,042,025
Investments held at other than fair value:				
Cash and money markets	286,700			
	\$ 4,490,298			

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis on December 31, 2018 are as follows:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds	\$ 198,062	\$ 198,062	\$ -	\$ -
Exchange traded funds	391,204	391,204	-	-
Annuities	745,032	-	745,032	-
Oil and gas	1,484,199	-	-	1,484,199
Real property	1,581,964	-	-	1,581,964
Total investments at fair value	4,400,461	\$ 589,266	\$ 745,032	\$ 3,066,163
Investments held at other than fair value:				
Cash and money markets	10,862			
Total investments	\$ 4,411,323			

The fair value of annuities is determined by an index crediting strategy that credits interest annually based on the percentage change of the S&P 500. The index credit percentage is guaranteed to never exceed an annual cap declared annually and will never be less than zero. The minimum guaranteed rate is 1% and the maximum rate is 3.4%.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

5. FAIR VALUE MEASUREMENTS, continued:

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining value for the years ended December 31, 2019 and 2018.

	Oil and gas	Real property	Total
Fair value at December 31, 2017	\$ 1,033,562	\$ 741,184	1,774,746
Investment return:			
Investment income	-	-	-
Net gains (losses) (realized and unrealized)	450,637	840,780	1,291,417
Fair value at December 31, 2018	1,484,199	1,581,964	3,066,163
Investment income	-	-	-
Net gains (losses) (realized and unrealized)	(258,729)	234,591	(24,138)
Fair value at December 31, 2019	\$ 1,225,470	\$ 1,816,555	\$ 3,042,025

6. LONG-TERM DEBT:

Long-term debt consists of:

	December 31,	
	2019	2018
Unsecured note payable to a trust, one the trustees of which is a director of JAF, bearing interest at a rate of 3% annually. Principal amounts and all accrued interest to be paid in full on maturity date of July 31, 2029.	\$ 1,000,000	\$ -
	\$ 1,000,000	\$ -

7. NET ASSETS:

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2019	2018
Real property restricted for operations	\$ 197,314	\$ 197,314
Unappropriated endowment income	1,524,043	1,289,452
Donor restricted funds held in perpetuity	1,446,909	1,426,909
	\$ 3,168,266	\$ 2,913,675

Real property restricted for operations is time restricted for the life of a lifetime beneficiary. Upon the beneficiary's death, net assets will be released and will be available for unrestricted purposes.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

8. ENDOWMENTS:

In August 2008, the Financial Accounting Standards Board issued a FASB Staff Position (now included in the FASB Accounting Standards Codification in sub-topic 958-205), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. In the Staff Position, FASB provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Also required are additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The State of California enacted UPMIFA effective January 1, 2009 the provisions of which apply to endowment funds existing on or established after that date. JAFF has adopted the net asset classification provisions for the years ending December 31, 2019 and 2018. The Board has determined that JAFF's net assets with donor restrictions meet the definition of endowment funds under UPMIFA. JAFF's endowment includes both donor-restricted endowment funds established to fund ministry operations and funds designated by the board to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that does not meet the description above is classified in net assets with donor restrictions or board designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the specific donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

8. ENDOWMENTS, continued:

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation does not have a specific spending policy. The board appropriates funds for expenditure from time to time as needed or available for operating purposes. The Foundation's investment policies for donor-restricted endowment assets attempt to provide funding for long-term needs. Under these policies, the endowment assets are invested in a manner consistent with Christian principles and values, and consistent with the convictions of JAF. The primary goal is cash preservation, and the secondary goal is to achieve intermediate and long-term investment goals. The board's strategy is to minimize risk in the financial performance of the endowment fund.

The following table presents the endowment composition and net asset classifications as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment	\$ -	\$ 3,168,266	\$ 3,168,266
Board designated endowment	<u>1,450,114</u>	<u>-</u>	<u>1,450,114</u>
	<u>\$ 1,450,114</u>	<u>\$ 3,168,266</u>	<u>\$ 4,618,380</u>

The following table presents the endowment composition and net asset classifications as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment	\$ -	\$ 2,913,675	\$ 2,913,675
Board designated endowment	<u>1,615,255</u>	<u>-</u>	<u>1,615,255</u>
	<u>\$ 1,615,255</u>	<u>\$ 2,913,675</u>	<u>\$ 4,528,930</u>

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

8. ENDOWMENTS, continued:

Changes in Endowment Net Assets for the Fiscal Year December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,615,255	\$ 2,913,675	\$ 4,528,930
Investment return:			
Net gains (losses) (realized and unrealized)	(165,141)	234,591	69,450
Total investment return	(165,141)	234,591	69,450
Contributions	-	20,000	20,000
Endowment net assets, end of year	\$ 1,450,114	\$ 3,168,266	\$ 4,618,380

Changes in Endowment Net Assets for the Fiscal Year December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,171,314	\$ 2,047,895	\$ 3,219,209
Investment return:			
Net gains (realized and unrealized)	443,941	840,780	1,284,721
Total investment return	443,941	840,780	1,284,721
Contributions	-	25,000	25,000
Endowment net assets, end of year	\$ 1,615,255	\$ 2,913,675	\$ 4,528,930

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

8. ENDOWMENTS, continued:

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, JAFF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JAFF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires JAFF to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

9. CLASSIFICATION OF EXPENSES:

The information below presents expenses by both their nature and their function:

	Year Ended December 31, 2019			Total
	Program Services	General and Administration	Fundraising	
Grants - Joni and Friends	\$ 1,451,063	\$ 99,052	\$ -	\$ 1,550,115
Grants - other	599,477	-	-	599,477
Audit & tax services	-	31,755	-	31,755
Property tax	-	29,667	-	29,667
Federal corporate taxes	-	25,176	-	25,176
Interest	-	13,315	-	13,315
Consultants	-	4,808	-	4,808
Liability and other insurance	-	3,977	-	3,977
Maintenance and repairs	-	2,704	-	2,704
	<u>\$ 2,050,540</u>	<u>\$ 210,454</u>	<u>\$ -</u>	<u>\$ 2,260,994</u>

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

9. CLASSIFICATION OF EXPENSES, continued:

	Year Ended December 31, 2018			
	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Grants - Joni and Friends	\$ 1,463,915	\$ 99,930	\$ -	\$ 1,563,845
Grants - other	300,028	-	-	300,028
Audit and tax services	-	11,595	-	11,595
Property tax	-	1,737	-	1,737
Consultants	-	10,501	-	10,501
Liability and other insurance	-	4,371	-	4,371
Maintenance and repairs	-	4,984	-	4,984
Commission fee	-	8,800	-	8,800
Legal services	-	6,349	-	6,349
Escrow and title fees	-	1,050	-	1,050
Utilities	-	413	-	413
	<u>\$ 1,763,943</u>	<u>\$ 149,730</u>	<u>\$ -</u>	<u>\$ 1,913,673</u>

METHODS USED FOR ALLOCATION OF EXPENSE:

The financial statements report certain categories of expenses that are attributable to more than program or one supporting function therefore these expenses require allocation on a reasonable basis that is consistently applied. Grants are primarily allocated to program functions as they are made to advance the ministry of Joni and Friends. The remaining expenses are allocated based on direct benefit or conduct of program or supporting function. There are no joint costs that have been allocated among program, general and administrative, and fundraising.

10. RELATED PARTY TRANSACTIONS:

The Foundation is under the control of JAF. Distributions made by the Foundation to JAF were \$1,550,115 and \$1,563,845, for the years ended December 31, 2019 and 2018, respectively.

The Foundation holds an unsecured note payable to a trust, one the trustees of which is a director of JAF, bearing interest at a rate of 3% annually. See Note 6.

The Foundation has an investment account with a brokerage firm whose President & Chief Compliance Officer is a board member of JAF. For the years ended December 31, 2019 and 2018 commissions paid to the brokerage firm were \$6,225 and \$6,217 respectively.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2019 and 2018

11. SUBSEQUENT EVENT:

Subsequent events were evaluated through April 28, 2020, which is the date the financial statements were available to be issued.

Subsequent to the year ended December 31, 2019, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy, and has contributed to significant declines and volatility in financial markets. Due to COVID-19's impact on the economy, there is a possibility the Foundation will suffer decreased royalty revenue and/or declines in the value of its investments throughout the year ended December 31, 2020. The impact of such negative consequences, if they occur at all, cannot be estimated.