



JONI AND FRIENDS
FOUNDATION

Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

JONI AND FRIENDS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Joni and Friends Foundation
Agoura Hills, California

Opinion

We have audited the accompanying financial statements of Joni and Friends Foundation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Joni and Friends Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Joni and Friends Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Joni and Friends Foundation
Agoura Hills, California

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Joni and Friends Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Joni and Friends Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Woodland Hills, California
April 25, 2022

JONI AND FRIENDS FOUNDATION

Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 4,588,156	\$ 148,654
Receivables	-	153,919
Cash held for endowment	170,000	162,607
Investments	4,662,854	4,496,138
Limited partnership interests	7,178,668	-
	<u>\$ 16,599,678</u>	<u>\$ 4,961,318</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accrued expenses	\$ 98,046	\$ 154,043
Note payable	1,000,000	1,000,000
Total liabilities	<u>1,098,046</u>	<u>1,154,043</u>
Net assets:		
Without donor restrictions:		
Undesignated	10,423,533	(851,897)
Board designated endowment funds	3,587,592	1,654,802
	<u>14,011,125</u>	<u>802,905</u>
With donor restrictions:		
Joni's Houses	250,599	-
Endowment funds	1,239,908	3,004,370
	<u>1,490,507</u>	<u>3,004,370</u>
Total net assets	<u>15,501,632</u>	<u>3,807,275</u>
Total Liabilities and Net Assets	<u>\$ 16,599,678</u>	<u>\$ 4,961,318</u>

See notes to financial statements

JONI AND FRIENDS FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE AND RECLASSIFICATIONS:						
Contributions	\$ 84,608	\$ 25,000	\$ 109,608	\$ 65,650	\$ 25,000	\$ 90,650
Oil royalty income	438,992	-	438,992	264,333	-	264,333
Royalty partnership income (oil and gas)	200,354	-	200,354	159,997	-	159,997
Limited partnership income	497,489	-	497,489	-	-	-
Donated stock	151,208	250,599	401,807	280,455	-	280,455
Investment and other income (loss)	44,712	6,841	51,553	(36,838)	43,105	6,267
Realized loss on real property held for sale	-	-	-	(59,159)	-	(59,159)
Realized gain on investments	39,483	4,367	43,850	-	-	-
Unrealized gain (loss) on investments	72,185	(4,509)	67,676	-	-	-
Unrealized loss on limited partnership interests	(265,979)	-	(265,979)	-	-	-
Gift-in-kind limited partnership interests	10,709,000	-	10,709,000	-	-	-
Net assets released from restriction:						
Satisfaction of program restrictions	1,796,161	(1,796,161)	-	-	-	-
Total Support and Revenue	13,768,213	(1,513,863)	12,254,350	674,438	68,105	742,543
EXPENSES:						
Program services	502,712	-	502,712	1,374,336	-	1,374,336
Supporting activities:						
General and administrative	57,281	-	57,281	65,330	-	65,330
Total Expenses	559,993	-	559,993	1,439,666	-	1,439,666
Change in Net Assets	13,208,220	(1,513,863)	11,694,357	(765,228)	68,105	(697,123)
Net Assets, Beginning of Year	802,905	3,004,370	3,807,275	1,568,133	2,936,265	4,504,398
Net Assets, End of Year	\$ 14,011,125	\$ 1,490,507	\$ 15,501,632	\$ 802,905	\$ 3,004,370	\$ 3,807,275

See notes to financial statements

JONI AND FRIENDS FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 11,694,357	\$ (697,123)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized loss on investments	198,303	30,309
Net investment income	(99,040)	(14,544)
Realized loss on real property held for sale	-	59,159
Gift-in-kind contributions	(10,709,000)	-
Net change in:		
Receivables	153,919	(29,154)
Accrued expenses	(55,997)	5,468
Net Cash Provided (Used) by Operating Activities	1,182,542	(645,885)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of condominium	-	725,841
Purchase of investments	-	(450,838)
Sale of investments	-	429,233
Cash received from return of capital	3,264,353	-
Net Cash Provided by Investing Activities	3,264,353	704,236
Change in Cash and Cash Equivalents	4,446,895	58,351
Cash and Cash Equivalents, Beginning of Year	311,261	252,910
Cash and Cash Equivalents, End of Year	\$ 4,758,156	\$ 311,261
SUMMARY OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 4,588,156	\$ 148,654
Cash held for endowment	170,000	162,607
	\$ 4,758,156	\$ 311,261

See notes to financial statements

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

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, 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, 2021 and 2020

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, 2021. At December 31, 2021 and 2020, the Foundation's cash balances exceeded federally insured limits by approximately \$4,199,000 and \$61,000, respectively.

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), 28.125% interest in a royalty stream, and a limited partnership interest in three rental properties donated to the Foundation in 2021. These investments are reported at estimated fair value. JAFF received independent valuations of the real property and royalty stream investments by a qualified appraiser at December 31, 2021 and 2020, utilizing the current income method and a capitalization rate of 22% and 20% (see Note 5). JAFF received independent valuations of the partnership properties at February 21, 2021 and December 31, 2021 and utilized the net asset approach to determine valuation.

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.

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 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. Net assets with donor restrictions also consist of unappropriated endowment income for which the donor specified the income be used for Joni and Friends Family Retreats.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE RECOGNITION

Contributions

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.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities (Note 9).

ALLOCATION OF JOINT COSTS

All costs that contain any fundraising appeal are required to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. Since all three tests were not met, all costs that contain a fundraising appeal have been allocated to fundraising for the years ended December 31, 2021 and 2020.

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, 2021 and 2020

3. LIQUIDITY:

The following reflects the Foundation's financial assets as of the statements of financial position dates, 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,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 4,588,156	\$ 148,654
Receivables	-	153,919
Cash held for endowment	170,000	162,607
Endowment investments	4,662,854	4,496,138
Financial Assets, at year-end	<u>9,421,010</u>	<u>4,961,318</u>
Less those not available for general expenditure within one year		
Cash held for endowment	(170,000)	(162,607)
Cash held for capital projects	(250,599)	-
Investments not available for expenditure	(1,075,262)	(3,073,337)
Investments in board designated endowments	(3,587,592)	(1,654,802)
	<u>(5,083,453)</u>	<u>(4,890,746)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,337,557</u>	<u>\$ 70,572</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. For the years ended December 31, 2021 and 2020, the Foundation had \$3,587,592 and \$1,422,801, designated by the board for endowments, respectively. The board has the flexibility to use these funds for operations as deemed necessary.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

4. INVESTMENTS:

Investments consist of:

	December 31,	
	2021	2020
Limited partnership interests	\$ 7,178,668	\$ -
Investment in real property	1,934,095	1,859,660
Investment in royalty stream (oil and gas)	1,201,793	1,163,278
Annuities	875,239	838,089
Fixed income exchange traded funds	647,026	623,879
Cash and money markets	4,701	11,232
	<u>\$ 11,841,522</u>	<u>\$ 4,496,138</u>

In February 2021, JAFF received a bequest of minority interests in three limited partnerships that hold real estate properties. Based on independent appraisals the partnership interests were initially valued at \$10,709,000. During the year ended December 31, 2021, the partnerships distributed a total of approximately \$3,264,000 to JAFF as a return of capital. This return of capital was recorded as a reduction in the carrying amount of the investments. Additionally, based on independent appraisals as of December 31, 2021, JAFF recorded a write-down of the investments of \$265,979.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021, 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:				
Fixed income exchange traded funds	\$ 647,026	\$ 647,026	\$ -	\$ -
Annuities	875,239	-	875,239	-
Investment in royalty stream (oil and gas)	1,201,793	-	-	1,201,793
Real property	1,934,095	-	-	1,934,095
Limited partnership interests	7,178,668	-	-	7,178,668
Total investments at fair value	11,836,821	\$ 647,026	\$ 875,239	\$ 10,314,556
Investments held at other than fair value:				
Cash and money markets	4,701			
Total investments	\$ 11,841,522			

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

5. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis on December 31, 2020 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:				
Fixed income exchange traded funds	\$ 623,879	\$ 623,879	\$ -	\$ -
Annuities	838,089	-	838,089	-
Investment in royalty stream (oil and gas)	1,163,278	-	-	1,163,278
Real property	1,859,660	-	-	1,859,660
Total investments at fair value	4,484,906	\$ 623,879	\$ 838,089	\$ 3,022,938
Investments held at other than fair value:				
Cash and money markets	11,232			
Total investments	\$ 4,496,138			

The fair value for fixed income exchange traded funds and exchange traded funds is determined by reference to quoted prices for investments in public equity markets in the United States.

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, 2021 and 2020

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, 2021 and 2020.

	Investment in Royalty Stream	Real Property	Limited Partnership Interests	Total
Fair value at December 31, 2019	\$ 1,225,470	\$ 1,816,555	\$ -	\$ 3,042,025
Investment return:				
Net gains (losses) (realized and unrealized)	(62,192)	43,105	-	(19,087)
Fair value at December 31, 2020	1,163,278	1,859,660	-	3,022,938
Gift-in-kind contributions	-	-	10,709,000	10,709,000
Cash received from return of capital	-	-	(3,264,353)	(3,264,353)
Net gains (losses) (realized and unrealized)	38,515	74,435	(265,979)	(153,029)
Fair value at December 31, 2021	\$ 1,201,793	\$ 1,934,095	\$ 7,178,668	\$ 10,314,556

6. LONG-TERM DEBT:

Long-term debt consists of:

	December 31,	
	2021	2020
Unsecured note payable to a trust, of which one of the trustees 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

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

7. NET ASSETS:

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

	December 31,	
	2021	2020
Donor restricted funds held in perpetuity	\$ 1,239,908	\$ 1,239,908
Gifts restricted for Joni's House	250,599	-
Real property restricted for operations	-	197,314
Unappropriated endowment income	-	1,567,148
	<u>\$ 1,490,507</u>	<u>\$ 3,004,370</u>

Real property restricted for operations is time restricted for the life of a lifetime beneficiary. During the year ended December 31, 2021, the beneficiary passed away and the net assets were released for unrestricted purposes.

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

8. ENDOWMENTS:

In August 2008, the Financial Accounting Standards Board (FASB) 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, 2021 and 2020. 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:

- 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, 2021 and 2020

8. ENDOWMENTS, continued:

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation Investment Policy Statement provides that no spending apart from donor requirements will occur until the total value of the endowment reaches \$10,000,000 and that the spending rate will be no more than 3% of the investments' three-year weighted average of income plus appreciation. Expending any portion of the "initial contribution" to the Endowment will require a Board of Directors recommendation and a majority vote by the Foundation Board of Directors. 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	\$ -	\$ 1,239,908	\$ 1,239,908
Board designated endowment	3,587,592	-	3,587,592
	\$ 3,587,592	\$ 1,239,908	\$ 4,827,500

The following table presents the endowment composition and net asset classifications as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	\$ -	\$ 3,004,370	\$ 3,004,370
Board designated endowment	1,654,802	-	1,654,802
	\$ 1,654,802	\$ 3,004,370	\$ 4,659,172

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

8. ENDOWMENTS, continued:

Changes in Endowment Net Assets for the Fiscal Year December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,654,802	\$ 3,004,370	\$ 4,659,172
Investment return:			
Investment income	49,699	6,841	56,540
Net gains (losses) (realized and unrealized)	111,662	(142)	111,520
Total investment return	161,361	6,699	168,060
Contributions	-	25,000	25,000
Release of designation Board-designated endowment expenditures	1,796,161 (24,732)	(1,796,161) -	- (24,732)
Endowment net assets, end of year	\$ 3,587,592	\$ 1,239,908	\$ 4,827,500

Changes in Endowment Net Assets for the Fiscal Year December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,691,640	\$ 2,936,265	\$ 4,627,905
Investment return:			
Net gains (realized and unrealized)	(36,838)	43,105	6,267
Total investment return	(36,838)	43,105	6,267
Contributions	-	25,000	25,000
Endowment net assets, end of year	\$ 1,654,802	\$ 3,004,370	\$ 4,659,172

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020.

9. FUNCTIONAL ALLOCATION OF EXPENSES:

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

	Year Ended December 31, 2021			
	Program Services	General and Administration	Fundraising	Total
Grants - Joni and Friends	\$ 502,712	\$ -	\$ -	\$ 502,712
Interest	-	30,000	-	30,000
Audit & professional Consultants	-	24,958	-	24,958
	-	2,323	-	2,323
	\$ 502,712	\$ 57,281	\$ -	\$ 559,993
	Year Ended December 31, 2020			
	Program Services	General and Administration	Fundraising	Total
Grants - Joni and Friends	\$ 1,319,565	\$ -	\$ -	\$ 1,319,565
Grants - other	54,771	3,496	-	58,267
Interest	-	30,000	-	30,000
Audit & professional	-	25,671	-	25,671
Property tax	-	3,182	-	3,182
Consultants	-	2,981	-	2,981
	\$ 1,374,336	\$ 65,330	\$ -	\$ 1,439,666

JONI AND FRIENDS FOUNDATION

Notes to Financial Statements

December 31, 2021 and 2020

9. CLASSIFICATION OF EXPENSES, continued:

METHODS USED FOR ALLOCATION OF EXPENSE:

The financial statements report certain categories of expenses that are attributable to more than one 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 \$502,712 and \$1,319,565, for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, commissions paid to the brokerage firm were \$6,177 and \$5,511, respectively.

11. RISKS AND UNCERTANTIES:

The Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Foundation's donor population and contribution revenue, absenteeism in the Foundation's workforce, and a decline in value of assets held by the Foundation, including receivables, property and equipment, and marketable securities. The financial impact cannot be estimated at this time.

12. SUBSEQUENT EVENT:

Subsequent events were evaluated through April 25, 2022, which is the date the financial statements were available to be issued.