Prison Fellowship International and Affiliates

Consolidated Financial Report
December 31, 2020

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Prison Fellowship International

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Prison Fellowship International and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prison Fellowship International and Affiliates as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
September 15, 2021

Prison Fellowship International and Affiliates

Consolidated Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
Cash and cash equivalents	**$ 4,184,401**	$ 4,076,887
Contributions receivable, net of discount	**3,683,531**	2,894,458
Receivables, net	**23,248**	44,311
Prepaid expenses	**181,629**	157,560
Inventory	**1,562,345**	1,915,674
Equipment and furniture, net	**389,608**	140,086
Total assets	**$ 10,024,762**	$ 9,228,976
Liabilities and Net Assets		
Accounts payable and accrued expenses	**$ 312,405**	$ 311,077
Line of credit	**2,000,000**	2,000,000
Total liabilities	**2,312,405**	2,311,077
Commitments and contingencies (Notes 7, 10, and 11)		
Net assets:		
Without donor restrictions	**6,567,452**	4,785,095
With donor restrictions	**1,144,905**	2,132,804
Total net assets	**7,712,357**	6,917,899
Total liabilities and net assets	**$ 10,024,762**	$ 9,228,976

See notes to consolidated financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2019 Total
Support and revenues:				
Partnership Income and contributions				
Charter fees and ministry agreement revenue	**$ 709,981**	**$ -**	**$ 709,981**	$ 791,115
Donated goods and facilities	**1,697,863**	**-**	**1,697,863**	2,247,326
Paycheck Protection Program grant	**459,162**	**-**	**459,162**	-
Global capacity initiative	**-**	**150,567**	**150,567**	-
Contributions:				
Major donors	**2,761,167**	**1,480,199**	**4,241,366**	3,631,566
Mid-level donors	**264,043**	**59,980**	**324,023**	153,675
Mass donors	**1,561,465**	**145,527**	**1,706,992**	1,991,600
Investment income, net	**9,149**	**-**	**9,149**	33,765
Gain (loss) on foreign currency transactions and remeasurements	**90,860**	**-**	**90,860**	(179,162)
Other income	**12,854**	**-**	**12,854**	1,745
Net assets released from restrictions	**2,824,172**	**(2,824,172)**	**-**	-
Total support and revenues	**10,390,716**	**(987,899)**	**9,402,817**	8,671,630
Expenses:				
Program services:				
Prison programs	**2,770,086**	**-**	**2,770,086**	2,933,010
Children of prisoners	**2,339,588**	**-**	**2,339,588**	2,349,186
Capacity building	**414,442**	**-**	**414,442**	474,283
Communication and education	**333,188**	**-**	**333,188**	215,816
Membership services	**257,620**	**-**	**257,620**	138,180
Total program services	**6,114,924**	**-**	**6,114,924**	6,110,475
Supporting services:				
Fundraising	**1,528,736**	**-**	**1,528,736**	1,441,935
Leadership, facilities and administration	**964,699**	**-**	**964,699**	564,217
Total supporting services	**2,493,435**	**-**	**2,493,435**	2,006,152
Total expenses	**8,608,359**	**-**	**8,608,359**	8,116,627
Change in net assets	**1,782,357**	**(987,899)**	**794,458**	555,003
Net assets:				
Beginning	**4,785,095**	**2,132,804**	**6,917,899**	6,362,896
Ending	**$ 6,567,452**	**$ 1,144,905**	**$ 7,712,357**	$ 6,917,899

See notes to consolidated financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020									
	Program Services						Supporting Services			
	Prison Programs	Children of Prisoners	Capacity Building	Communication and Education	Membership Services	Total Program Services	Fundraising	Leadership, Facilities and Administration	Total	2019 Total
Salaries and benefits	$ 524,569	$ 608,554	$ 259,316	$ 183,846	$ 223,789	**$ 1,800,074**	$ 1,015,308	$ 768,088	**$ 3,583,470**	$ 2,669,785
Donations, ministry support, and development	1.439.436	1.352.222	32.353	-	-	**2.824.011**	1.345	-	**2.825.356**	2.662.258
Professional fees	248,415	104,052	22,007	96,386	13,566	**484,426**	348,413	60,539	**893,378**	890,197
Printing and translations	337,976	21,755	2,399	12,069	283	**374,482**	12,687	1,093	**388,262**	383,411
Occupancy	67,783	50,382	12,682	7,175	5,548	**143,570**	32,920	49,618	**226,108**	151,163
Travel	35,541	4,047	33,169	5,062	5,771	**83,590**	25,120	1,637	**110,347**	507,550
Software and internet	30,340	25,667	4,646	6,913	2,826	**70,392**	17,293	17,505	**105,190**	58,805
Bank fees	367	65,727	77	10	-	**66,181**	-	22,845	**89,026**	79,810
Interest	23,857	20,149	3,569	2,870	2,219	**52,664**	13,166	13,742	**79,572**	80,000
Postage and delivery	3,575	49,976	943	3,257	540	**58,291**	15,569	1,179	**75,039**	46,608
Conferences and meetings	4,356	2,775	38,134	837	327	**46,429**	13,712	1,814	**61,955**	181,539
Depreciation	17,865	15,089	2,673	2,149	1,661	**39,437**	9,859	10,291	**59,587**	59,913
Subscriptions, licenses and taxes	28,302	6,835	601	404	312	**36,454**	7,477	3,884	**47,815**	77,457
Materials and supplies	5,584	10,192	1,315	917	626	**18,634**	8,209	3,028	**29,871**	29,210
Other expenses	556	845	324	4,860	7	**6,592**	3,365	8,535	**18,492**	26,468
Public relations and education	-	-	-	6,245	-	**6,245**	3,430	-	**9,675**	36,704
Recruiting and relocation	1,564	1,321	234	188	145	**3,452**	863	901	**5,216**	175,749
Total	**$ 2,770,086**	**$ 2,339,588**	**$ 414,442**	**$ 333,188**	**$ 257,620**	**$ 6,114,924**	**$ 1,528,736**	**$ 964,699**	**$ 8,608,359**	$ 8,116,627

See notes to consolidated financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 794,458**	$ 555,003
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**59,587**	59,913
Loss on disposal of equipment and furniture	**-**	5,250
Write-off of uncollectible promises to give	**45,852**	-
Provision for present value discount	**(70,816)**	240,983
Donated goods	**(1,550,264)**	(2,189,629)
(Increase) decrease in:		
Contributions receivable	**786,155**	682,007
Accounts receivable	**21,063**	10,281
Inventory	**353,329**	320,819
Prepaid expenses	**(24,069)**	123,518
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,328**	(68,656)
Net cash provided by (used in) operating activities	**416,623**	(260,511)
Cash flows from investing activities:		
Purchase of equipment and furniture	**(309,109)**	(125,947)
Net cash used in investing activities	**(309,109)**	(125,947)
Cash flows from financing activities:		
Advances on line of credit	**-**	2,000,000
Net cash provided by financing activities	**-**	2,000,000
Net increase in cash and cash equivalents	**107,514**	1,613,542
Cash and cash equivalents:		
Beginning	**4,076,887**	2,463,345
Ending	**$ 4,184,401**	$ 4,076,887
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 79,572**	$ 80,000

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Prison Fellowship International (PFI) is a nonprofit organization founded on August 8, 1979, in the District of Columbia. It has national affiliates in over 115 countries, each of which is an independent organization. Its purpose is to provide services to prisoners, ex-prisoners and their families around the world through its member affiliates. It works to foster mutual support and assistance and promotes the interchange of successful ministry methods among national ministries.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of PFI, Prison Fellowship International at Singapore LTD (PFI Singapore), Prison Fellowship International GmbH (PFI Germany) and Prison Fellowship International Canada (PFI Canada). PFI controls and has an economic interest in PFI Singapore, PFI Germany and PFI Canada. All significant intercompany transactions and accounts have been eliminated in consolidation. For the purposes of this report, the four entities are referred to collectively as the Organization.

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains cash balances, which may exceed U.S. federally insured limits. Management does not believe that this results in any significant credit risk. As of December 31, 2020, $321,274 of the total cash and cash equivalents balance was held in foreign bank accounts.

Translation of foreign currencies: The Organization maintains international offices located in Singapore, Germany and Canada. The international offices maintain bank accounts, conduct business and record transactions in their local currencies. Assets and liabilities held by international offices are converted to U.S. Dollar values at prevailing rates of exchange. Gains or losses from exchange transactions resulting in foreign currency are recognized in operations.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions receivable: The Organization records contributions receivable when an unconditional promise to give is received. Contributions receivable are reported as net assets with donor restrictions that are either permanent or temporary in nature unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the accompanying consolidated statement of activities. The amount of the allowance, if any, is based on prior years' experience and management's current estimates of potentially uncollectible contributions. There was no allowance at December 31, 2020. Each gift is assessed for collectability and the allowance is reflected within the rate applied to the discount on contributions receivable.

Contributions receivable promised in a foreign currency are remeasured using the current exchange rate at the reporting date. Fluctuations in contributions receivable denominated in foreign currencies are recorded as gains and losses, and included in foreign currency transactions and remeasurements on the consolidated statement of activities. Changes in exchange rates after the date on the consolidated statement of financial position could have an effect on the balance of contributions receivable. Management has deemed that it is impracticable to determine and disclose the effects.

Receivables: Receivables are carried at original invoice amounts. The Organization uses the allowance method to estimate the amounts, if any, of its receivables that are considered uncollectible. The amount of the allowance, if any, is based on prior years' experience and management's current estimates of potentially uncollectible accounts. Receivables are deemed to be past due based on a contractual term of 30 days. As of December 31, 2020, there was not an allowance for doubtful accounts.

Inventory: Inventory is recorded at the fair value at date of donation. At December 31, 2020, inventory consisted of donated bibles and other program materials. The inventory is to be distributed to recipients during the normal course of activities. Management determines the allowance for obsolete inventory by identifying non-marketable items and by using historical experience applied to recent disbursed items. Items are written-off when deemed unmarketable. There was no allowance at December 31, 2020.

Equipment and furniture: The Organization capitalizes all expenditures for equipment and furniture in excess of $500. Equipment and furniture includes capitalized computer hardware and software and are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which is generally three to five years. Expenses that do not materially extend the useful life of an asset are expensed in the current period. Any gain or loss that may result from the sale or disposition of an asset is recorded as a revenue or expense in the year that the transaction occurs.

Valuation of long-lived assets: The Organization accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic, Property, Plant and Equipment that addresses Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Charter membership fees: Each affiliate member organization is to pay an annual contribution to PFI. The affiliates tier within the system is based on its size and annual revenues. Tier one affiliates contributed 4% of their annual revenue. Tier two affiliates contribute a flat rate of $100. Charter membership fees are recognized when received or unconditionally promised.

Contributions: The Organization records unconditional contributions received as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional contributions with donor restrictions that are temporary in nature are recorded as donor-restricted support and are then reclassified to net assets without donor restrictions upon fulfillment of the restriction. Unconditional contributions with donor restrictions that are permanent in nature are reported and remain as net assets with donor restrictions. The Organization treats gifts of long-lived assets, and gifts of cash for long-lived assets without donor use restrictions, as having implied time restrictions that expire over the useful life of the donated assets. Gifts of long-lived assets are recorded at fair value when received or promised. Conditional contributions are recognized when conditions are substantially met (see Notes 6 and 10). The Organization receives support in the form of contributions from Board members, which is reflected in the consolidated statement of activities.

Donated goods and facilities: The Organization rents office space at a below market rate (see Note 6). The difference between the estimated rental market rate for comparable office space, and the amount actually charged, is recorded as donated facilities in the consolidated statement of activities. PFI also receives contributed bibles from various organizations. Donated goods are recorded at fair value when received or promised.

Paycheck Protection Program Grant: The Organization applied for and received a loan through the Paycheck Protection Program (the Program) on April 20, 2020, for $459,162. The Organization submitted their forgiveness application in December 2020 and received approval and subsequent forgiveness from the Small Business Administration (SBA) and lender, respectively, on December 23, 2020. The Organization determined that it adhered to the requirements of the Program. As a result, conditions were met and the loan was recorded as grant revenue on the consolidated statement of activities as revenue without donor restrictions as of December 31, 2020. The loan is subject to audit by the SBA for a period of 6 years following forgiveness.

Program services: Ministry services encompasses those activities related to:

- Conducting programs in prisons around the world through agreements with selected national affiliates
- Providing medical, educational, spiritual and residential services to the children of prisoners in developing world countries through agreements with selected national ministries
- Supporting affiliated PFI ministries through board and staff development, training, program planning and implementation, strategic projects, material and technical assistance, ministry promotion and resource development

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on allocations of time and effort and percentage of direct expense for each function.

Income taxes: PFI is a Section 501(c)(3) not-for-profit corporation exempt from federal income taxes as provided under Section 501(a) of the Internal Revenue Code and applicable regulations of the District of Columbia and has been determined to not be a private foundation. PFI Singapore is a registered charity in the Republic of Singapore. PFI Germany is a registered charity in Germany. PFI Canada is a registered charity in Canada. The Organization has no unrelated business income. The Organization evaluates uncertainty in income tax positions based on a more likely than not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2020, there were no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2017 through the current year remain open for examination by federal and state taxing authorities.

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of the guidance.

Use of accounting estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

Adopted accounting pronouncement: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The Organization adopted ASU 2018-08 as a resource provider as of January 1, 2020. The adoption of this ASU did not materially impact the financial statements.

Pending accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statement of activities. ASU 2016-2 is effective for fiscal years beginning after December 15, 2021. The Organization is in the process of evaluating the impact of ASU 2016-02.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effect for fiscal years beginning after June 15, 2021. The Organization is in the process of evaluating the impact of ASU 2020-07.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Reclassifications: Certain 2019 amounts have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

Subsequent events: Management has evaluated subsequent events for disclosure in these consolidated financial statements through September 15, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2. Contributions Receivable

Contributions receivable are summarized as follows at December 31:

Less than one year	$ 429,891
One to five years	3,401,121
	3,831,012
Less discount to present value	(147,481)
	$ 3,683,531

Contributions receivable are discounted to their present value using rates between 0.83% and 4.09%. As of December 31, 2020, the present value discount is $147,481. Receivables from foreign donors are recorded in U.S. Dollars, which reflects foreign exchange currency fluctuations at December 31, 2020.

Note 3. Equipment and Furniture

Equipment and furniture consists of the following at December 31, 2020:

Equipment and furniture	$ 48,753
Computer hardware	96,253
Computer software	475,701
Total equipment and furniture	620,707
Less accumulated depreciation	(231,099)
	$ 389,608

Depreciation expense for the year ended December 31, 2020, was $59,587.

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions for the following purposes at December 31, 2020, are as follows:

Subject to expenditure for a specified purpose:	
Capacity building	$ 382,257
Prison programs	267,316
Children's programs	252,778
Other programs	113,988
	1,016,339
Subject to passage of time:	
Contributions receivable	38,566
	38,566
Endowment	90,000
	$ 1,144,905

Net assets, with donor restrictions that are temporary in nature, were released from restriction during the year ended December 31, 2020, as follows:

Subject to expenditure for a specified purpose:	
Prison programs	$ 1,114,982
Children's programs	990,225
Capacity building	621,502
Other programs	11,220
Subject to passage of time:	
Contributions receivable	86,243
	$ 2,824,172

Note 5. Endowment Funds

The Organization's endowment consists of three individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. 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. There are no Board designated endowment funds at December 31, 2020.

Interpretation of the relevant law: Management of the Organization has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Organization classifies as net assets with donor restrictions that are permanent in nature: 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.

Note 5. Endowment Funds (Continued)

The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment net assets composition by type of fund as of December 31, 2020:

Donor-restricted endowment funds	$ 90,000

There were no changes in donor-restricted endowment funds for the year ended December 31, 2020. The donor-restricted endowment funds are classified as net assets with donor restrictions that are permanent in nature. 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 UPMIFA requires the Organization to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 20120

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold for a donor-specified period. Under this policy, as approved by management, the endowment assets are invested in cash equivalents. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, the Organization relies on a return strategy in which investment returns are achieved through current yield (interest and dividends).

Spending policy and how the investment objectives relate to spending policy: The Organization has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to remain consistent. This is consistent with the Organization's objective to preserve the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 6. Strategic Partner

Prison Fellowship USA (PF USA) and the Organization previously entered into a Ministry Agreement to foster the global expansion of the prison ministry in the United States and around the world through collaborative efforts between the two organizations. Per the agreement, the Organization is to receive conditional monthly payments, which extend over an initial seven-year period. The agreement is set to automatically renew for additional seven-year terms, provided early termination has not been exercised. The remaining conditional promise to give through December 2023 is $2,100,000, which is not reflected in the accompanying consolidated statement of financial position. Revenue from the agreement is recognized on the consolidated statement of activities as charter fees and ministry agreement revenue.

In June of 2021, the 2013 agreement was terminated and replaced with a trademark license agreement. As a result of the termination, PF USA will provide a lump sum payment of $4,200,000 in June of 2021. In consideration of the licenses granted, PFI shall pay PF USA license fees totaling $25,000 quarterly, beginning October 31, 2021 through July 31, 2035. The agreement expires on July 31, 2035 and shall automatically renew for successive ten year terms unless earlier terminated.

The Organization maintains its offices in the Lansdowne, Virginia facility owned by PF USA and has agreed to pay as rent a share of the facility operating expenses proportionate to the space it occupies in the building. In 2019, the Organization and PF USA entered into a revised Ministry Co-Location Agreement for the term July 1, 2019 through June 30, 2021. The agreement calls for the Organization to lease 4,810 of square feet in the building for a below market month rate of $6,413 for the first 12 months and $6,606 for the remaining 12 months of the term. In the event PF USA sells the building before the expiration of the agreement term, PF USA will provide 30 days' notice to the Organization to vacate the building and the agreement may be terminated at that time without penalty to PF USA, creating a conditional contribution for the difference in market rate rent. The amounts paid to PF USA for rent for the year ended December 31, 2020, was $123,783. The difference between the amount paid and the estimated market rate rent for comparable office space was recorded as both a contribution of $48,184 from PF USA and as rent expense in 2020. Subsequent to December 31, 2020, the Organization terminated the agreement with PF USA and a signed a new lease agreement. See Note 12.

Note 7. Line of Credit

The Organization has two lines of credit: One in the amount of $100,000 with a bank in Virginia and one in the amount of $2,000,000 with a foreign entity. The line of credit with the bank in Virginia bears interest at *The Wall Street Journal* Prime Rate and is renewed each year. The line of credit with the foreign entity bears interest at a fixed rate of 4% with a maturity date of December 31, 2026. At December 31, 2020, the Organization had no indebtedness under the line of credit with the bank in Virginia. Payments on the line of credit with the foreign entity will be based upon excess cash flow of the Organization. The outstanding balance was $2,000,000 at December 31, 2020. Interest expense was $79,572 for the year ended December 31, 2020. The foreign entity due to the $2,000,000 is associated with a member of the Organization's Board of Directors.

Note 8. Retirement Plan

The Organization sponsors a defined contribution retirement plan (the Plan) covering qualifying United States employees, as defined in the Plan agreement. Employees are eligible for participation in the Plan after one year of employment. The Plan consists of mandatory employee contributions of 2% of their annual salary with the Organization currently contributing 4% of their annual salary. Employees vest 100% in all contributions as they are made. International employees receive retirement benefits in accordance with laws in their respective locations. Retirement expense for all employees for 2020 was $54,124.

Note 9. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date on the consolidated statement of financial position, comprise the following:

Cash and cash equivalents	$ 4,184,401
Contributions receivable	3,683,531
Accounts receivable	23,248
Total financial assets available	7,891,180
In-kind contributions receivable	(3,539,579)
Donor-imposed restrictions for time due beyond one year	(38,566)
Donor-imposed restrictions for specific purposes	(1,016,339)
Donor-imposed restriction for endowment	(90,000)
Total financial assets available to meet cash needs for general expenditures within one year	$ 3,206,696

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and lines of credit. Based on historical experience, only the portion of contributions receivable due within one year are considered available for use in meeting annual operating needs.

Note 10. Conditional Contributions

The Organization is the recipient of conditional contributions. The contributions are detailed in Note 6. The Organization also has conditional gifts in-kind contributions to receive approximately 164,100 bibles, which will be recorded at fair value when received. At December 31, 2020, the Organization has committed $725,404 in conditional grants. These amounts will be expensed as the grantee materially satisfies conditions stipulated.

Note 11. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be on the Organization. The extent of the impact of COVID-19 on the Organization’s operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

Note 12. Subsequent Event

Subsequent to December 31, 2020, the Organization signed a new lease agreement commencing October 1, 2021 through June 30, 2025. The lease agreement has a beginning rate of approximately $159,000 with scalations of 2.5% per lease year. The Organization has determined the rate charged is for a below market rate and the difference between the amount paid and the estimated market rate rent for comparable office space will be recorded as both a contribution and rent expense.