

**PRISON FELLOWSHIP INTERNATIONAL**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

# Prison Fellowship International

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## Independent Auditor's Report

To the Board of Directors of  
**Prison Fellowship International**  
Lansdowne, Virginia

We have audited the accompanying financial statements of **Prison Fellowship International** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2012 and 2011, and the related Statements of Activities and Changes in Net Assets 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.

### *Auditor's 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 of 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** as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Aronson LLC*

Rockville, Maryland  
April 24, 2013

# Prison Fellowship International

## Statements of Financial Position

<i>December 31,</i>	2012	2011
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,633,022	\$ 1,556,168
Investments	806,354	714,230
Certificates of deposit	1,697,000	2,842,985
Contributions receivable	-	157,000
Accounts receivable, net	10,765	44,319
Inventory	16,037	5,363
Prepaid expenses	91,573	18,680
<b>Total current assets</b>	<b>4,254,751</b>	<b>5,338,745</b>
<b>Other assets</b>		
Certificates of deposit, net of current	1,841,126	596,125
Certificates of deposit held for long term use	90,000	90,000
Deposits	-	550
Equipment and furniture, net	30,732	138,071
<b>Total other assets</b>	<b>1,961,858</b>	<b>824,746</b>
<b>Total assets</b>	<b>\$ 6,216,609</b>	<b>\$ 6,163,491</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 261,630	\$ 253,762
<b>Net assets</b>		
Unrestricted	2,146,658	1,849,013
Unrestricted - board designated	1,351,260	1,382,840
<b>Total unrestricted net assets</b>	<b>3,497,918</b>	<b>3,231,853</b>
Temporarily restricted	2,367,061	2,587,876
Permanently restricted	90,000	90,000
<b>Total net assets</b>	<b>\$ 5,954,979</b>	<b>\$ 5,909,729</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,216,609</b>	<b>\$ 6,163,491</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Prison Fellowship International

## Statements of Activities and Changes in Net Assets

<i>Years Ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Unrestricted net assets</b>		
<b>Support and revenue</b>		
Charter membership fees	\$ 2,688,945	\$ 2,534,958
Contributions	770,203	1,233,235
Contributed rent and other	159,850	195,946
Meeting revenue	2,750	42,161
Investment income	126,871	90,077
Other income	43,003	3,289
Foreign currency gain	4,376	851
Net assets released from restrictions	581,422	489,343
<b>Total support and revenue</b>	<b>4,377,420</b>	<b>4,589,860</b>
<b>Expenses</b>		
Programme services:		
Ministry services and development	3,125,647	4,955,624
Supporting services:		
General and administrative	712,209	589,666
Fundraising	273,499	30,395
<b>Total expenses</b>	<b>4,111,355</b>	<b>5,575,685</b>
<b>Change in unrestricted net assets</b>	<b>266,065</b>	<b>(985,825)</b>
<b>Temporarily restricted net assets</b>		
Support for special projects	320,529	732,490
Contributed equipment, medical supplies and software	39,263	43,241
Investment income	815	4,417
Net assets released from restriction	(581,422)	(489,343)
<b>Change in temporarily restricted net assets</b>	<b>(220,815)</b>	<b>290,805</b>
<b>Change in net assets</b>	<b>45,250</b>	<b>(695,020)</b>
<b>Net assets, beginning of year</b>	<b>5,909,729</b>	<b>6,604,749</b>
<b>Net assets, end of year</b>	<b>\$ 5,954,979</b>	<b>\$ 5,909,729</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Prison Fellowship International

## Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 45,250	\$ (695,020)
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</b>		
Depreciation and amortization	111,012	156,062
Loss on disposal of equipment and furniture	-	10
Net realized and unrealized gain on investments	(78,409)	(6,316)
Bad debt expense	8,020	-
<b>(Increase) decrease in:</b>		
Contributions receivable	157,000	(4,000)
Accounts receivable	25,534	(34,363)
Inventory	(10,674)	32
Prepaid expenses	(72,893)	17,415
Deposits	550	-
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	7,868	534
<b>Net cash provided (used) by operating activities</b>	<b>193,258</b>	<b>(565,646)</b>
<b>Cash flows from investing activities</b>		
Proceeds from maturities of certificates of deposit	1,395,985	2,434,200
Purchase of certificates of deposit	(1,495,001)	(1,095,002)
Purchase of investments	(13,715)	(13,540)
Proceeds from disposal of equipment and furniture	-	467
Purchase of equipment and furniture	(3,673)	(12,190)
<b>Net cash (used) provided by investing activities</b>	<b>(116,404)</b>	<b>1,313,935</b>
<b>Net change in cash and cash equivalents</b>	<b>76,854</b>	<b>748,289</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,556,168</b>	<b>807,879</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,633,022</b>	<b>\$ 1,556,168</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Prison Fellowship International

## Notes to Financial Statements

### 1. Organization and significant accounting policies

Prison Fellowship International (the “Organization” or “PFI”) is a not-for-profit organization founded on August 8, 1979, in the District of Columbia as an association of independent national prison ministries. Its purpose is to provide services to member ministries and to assist in the development of chartered prison fellowship ministries in other countries. It works to foster mutual support and assistance and promotes the interchange of successful ministry methods among national ministries.

**Basis of accounting:** The accounts of the Organization are maintained on the accrual basis of accounting where support is recognized when earned, and costs and expenses are recognized when incurred.

**Basis of presentation:** Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

**Unrestricted net assets** - net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations and unrestricted net assets designated by the Board of Directors for certain current and future ministry projects and activities.

**Temporarily restricted net assets** - net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets** - net assets subject to donor-imposed stipulations that they be maintained permanently by PFI. The Organization may use all or part of the income earned on these assets for specific purposes.

**Cash and cash equivalents:** PFI considers all highly liquid debt instruments purchased with original maturities of one month or less to be cash equivalents. The Organization maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

**Foreign currency:** PFI maintains two international offices located in Singapore and Switzerland. The international offices maintain bank accounts, conduct business and record transactions in their local currencies. Gains or losses from exchange transactions resulting in foreign currency are recognized in operations.

**Investments:** Investments consist of a mutual fund. The mutual fund is recorded at fair value using quoted market prices. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is recorded as unrestricted income, unless restricted by donor or law.

**Certificates of deposit:** Certificates of deposit are carried at cost plus accrued interest which approximates fair value. The certificates bear interest rates of .25% to 4% and have original maturities of 3 months to 5 years.

# Prison Fellowship International

## Notes to Financial Statements

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**Fair value:** PFI values investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**Contributions receivable:** The Organization records contributions receivable when a promise to give is made. All receivables are expected to be collected within one year. Management believes all contributions receivable are fully collectible and has determined that no allowance for doubtful contributions receivable is necessary at December 31, 2012 and 2011.

**Accounts receivable:** The Organization uses the allowance method to estimate the amounts, if any, of its accounts receivable 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. Accounts receivable are deemed to be past due based on a contractual term of 30 days. The allowance for doubtful accounts receivable as of December 31, 2012 and 2011, were \$31,844 and \$23,824, respectively.

**Inventory:** Inventory is recorded at the lower of cost, using the weighted average method, or market. At December 31, 2012 and 2011, inventory consisted of books and videos.

**Equipment and furniture:** The Organization capitalizes all expenditures for equipment and furniture in excess of \$500. Equipment and furniture 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. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful life or the remaining lease term. 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.

# Prison Fellowship International

## Notes to Financial Statements

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**Charter membership fees:** Each affiliate member organization is to pay an annual contribution to PFI, which approximates 6% of the annual revenue of the affiliate organization. In certain cases, the Organization will accept a discretionary “in-kind” contribution from an affiliate who does not have the ability to pay. Charter membership fees, which are self-determined and reported by the affiliates, are recognized upon receipt since that is the point at which PFI is assured of the amount and collection.

**Contributions:** The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor temporarily restricted contributions are recorded as temporarily restricted support and are then reclassified to unrestricted net assets upon fulfillment of the restriction. Donor permanently restricted contributions are reported and remain as permanently restricted net assets. 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.

**Contributed rent and other:** The Organization rents office space at a below market rate. The difference between the estimated rental market rate for comparable office space and the amount actually charged is recorded as contributed rent in the Statements of Activities and Changes in Net Assets.

**Contributed equipment, medical supplies and software:** The Organization receives contributed equipment, medical supplies, and software from various organizations, which are temporarily restricted for a specific geographic region, programme, or time. The supplies are recorded at fair value when received or promised and are reflected in the accompanying financial statements as temporarily restricted revenue and ministry services and development expense. The software is recorded at fair value when received or promised and is reflected in the accompanying financial statements as temporarily restricted revenue and will be released as depreciation.

**Donated services:** Numerous medical professionals volunteer significant amounts of time on the Organization’s medical mission trips. Although no amounts are reflected in the financial statements since the Organization would not normally pay for these services, management estimates the fair value of these donated services to be approximately \$180,000 and \$113,000 for the years ended December 31, 2012 and 2011, respectively.

# Prison Fellowship International

## Notes to Financial Statements

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**Programme services:** Ministry services and development encompasses those activities related to:

- Establishing and developing effective national Prison Fellowship (“PF”) ministries through on-site assistance, consultation, and technical support provided by secretariat staff, regional ministry development specialists, and regional leadership teams.
- Supporting national PF ministries through board and staff development, training, programme planning and implementation, strategic projects, material and technical assistance, ministry promotion, and resource development. Specific major programmes include:
  - National Ministry Development
  - PFI Centre for Justice and Reconciliation
  - PFI Institute for Leadership Formation
  - PFI Global Assistance Programmes
  - Convocation
  - Communications

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income taxes:** The Organization 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 Commonwealth of Virginia. PFI has no unrelated business income.

**Uncertainty in income taxes:** PFI 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, 2012 and 2011, there are no accruals for uncertain tax positions. If applicable, PFI records interest and penalties as a component of income tax expense. Tax years from 2009 through the current year remain open for examination by tax authorities.

**Use of accounting 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Prison Fellowship International

## Notes to Financial Statements

**Reclassification:** Certain 2011 balances have been reclassified to conform to the 2012 presentation.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through April 24, 2013, which is the date the financial statements were available to be issued.

- 2. Investments and fair value of investments** Investments are comprised of the following at December 31:

	2012	2011
Mutual fund - balanced	\$ 806,354	\$ 714,230

All of PFI's investments are measured at fair value using level 1 inputs for the years ended December 31, 2012 and 2011.

- 3. Investment income** Investment income (which includes interest earned on certificates of deposit) is comprised of the following for the years ended December 31:

	2012	2011
Income:		
Interest	\$ 35,562	\$ 74,638
Realized gain	-	8,054
Reinvested dividends	13,715	13,540
	49,277	96,232
Other change in investments:		
Unrealized gain (loss)	78,409	(1,738)
<b>Total investment income</b>	<b>\$ 127,686</b>	<b>\$ 94,494</b>

- 4. Equipment and furniture** Equipment and furniture consists of the following at December 31:

	2012	2011
Equipment and furniture	\$ 87,910	\$ 87,228
Computer hardware	65,674	81,489
Computer software	589,483	589,483
Leasehold improvements	29,442	29,442
Total equipment and furniture	772,509	787,642
Less: Accumulated depreciation and amortization	(741,777)	(649,571)
<b>Equipment and furniture, net</b>	<b>\$ 30,732</b>	<b>\$ 138,071</b>

# Prison Fellowship International

## Notes to Financial Statements

Depreciation and amortization expense for the years ended December 31, 2012 and 2011, were \$111,012 and \$156,062, respectively.

**5. Board designated net assets**

Board designated net assets consist of the following at December 31:

	2012	2011
Convocation and special meetings	\$ 1,000,000	\$ 1,000,000
Crisis intervention	100,000	100,000
Future ministry development	150,000	181,580
Medical projects	101,260	101,260
<b>Total</b>	<b>\$ 1,351,260</b>	<b>\$ 1,382,840</b>

**6. Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes at December 31:

	2012	2011
National ministry support	\$ 244,175	\$ 271,055
Relief and development	1,307,312	1,302,202
Restorative justice	18,565	25,250
Special projects	218,550	217,266
Training	578,459	772,103
<b>Total</b>	<b>\$ 2,367,061</b>	<b>\$ 2,587,876</b>

Temporarily restricted net assets released from restriction for the years ended December 31:

	2012	2011
Donated medical supplies	\$ 39,263	\$ 43,241
National ministry support	206,393	213,316
Relief and development	69,214	38,628
Restorative justice	7,731	-
Special projects	22,309	92,733
Training	236,512	101,425
<b>Total</b>	<b>\$ 581,422</b>	<b>\$ 489,343</b>

# Prison Fellowship International

## Notes to Financial Statements

### 7. Endowment funds

PFI's endowment consists of three individual funds established for a variety of purposes by permanently restricted contributions. Its endowment includes donor restricted funds held in perpetuity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of the Relevant Law

Management of PFI 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, PFI classifies as permanently restricted net assets (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 is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by PFI in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, PFI 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.

Change in endowment net assets for the year ended December 31, 2012:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 90,000	\$ 90,000
Investment income	815	-	815
Appropriation of endowment assets for expenditure	(815)	-	(815)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>

# Prison Fellowship International

## Notes to Financial Statements

Change in endowment net assets for the year ended December 31, 2011:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 90,000	\$ 90,000
Investment income	4,417	-	4,417
Appropriation of endowment assets for expenditure	(4,417)	-	(4,417)
Endowment net assets, end of year	\$ -	\$ 90,000	\$ 90,000

Description of amounts classified as permanently restricted net assets:

	2012	2011
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 90,000	\$ 90,000

### 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 UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2012 and 2011.

### Return Objectives and Risk Parameters

PFI 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 certificates of deposit to assume a low level of investment risk. PFI 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, PFI relies on a return strategy in which investment returns are achieved through current yield (interest and dividends).

# Prison Fellowship International

## Notes to Financial Statements

### Spending Policy and How the Investment Objectives Relate to Spending Policy

PFI has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the PFI considered the long-term expected return on its endowment. Accordingly, over the long term, PFI expects the current spending policy to remain consistent. This is consistent with PFI'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.

### 8. Related party transactions

Prison Fellowship USA ("PF USA") is the United States of America chartered affiliate of the Organization. PF USA collects certain donations and pays certain expenses on behalf of the Organization with excess amounts recorded as due from or payable to the Organization each month. PF USA charter membership fees totaled \$2,316,464 and \$2,346,780 in 2012 and 2011, respectively. Other PF USA contributions totaled \$500,000 and \$1,000,000 in 2012 and 2011, respectively. At December 31, 2012 and 2011, PFI had amounts due from PF USA totaling \$2,000 and \$1,000, respectively. At December 31, 2012 and 2011, PFI had amounts due to PF USA totaling \$16,575 and \$26,827, respectively.

PFI maintains its offices in the Lansdowne, Virginia facility of 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. The amounts paid to PF USA for rent for the years ended December 31, 2012 and 2011, were \$55,570 and \$56,315, respectively. The difference between this and the estimated market rate rent for comparable office space was recorded as a \$131,576 and \$163,378 contribution from PF USA and as rent expense in 2012 and 2011, respectively.

### 9. Commitments

The Organization has entered into several office space operating leases for both international field offices and for the United States office. The leases expire at various dates through 2014. PFI has also entered into agreements to lease office equipment. These leases are treated as operating leases in the financial statements. The future minimum base payments required under these leases as of December 31, 2012, are as follows:

2013	\$	68,148
2014		17,733
<b>Total</b>		<b>\$ 85,881</b>

Rent expense for 2012 and 2011, was \$270,629 and \$301,490, respectively, including \$159,850 and \$195,946, respectively, of contributed rent from PF USA and Overseas Missionary Fellowship ("OMF") International, an unrelated not-for-profit religious organization.

# Prison Fellowship International

## Notes to Financial Statements

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- 10. Line of credit** The Organization has a line of credit in the amount of \$100,000 with a bank in Virginia. Advances bear interest at the Wall Street Journal Prime Rate. The agreement expired March 2, 2012, and was renewed for another year. At December 31, 2012 and 2011, the Organization had no indebtedness under the line of credit.
- 11. 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 2012 and 2011 was \$84,678 and \$89,087, respectively.
- 12. Concentrations** In 2012, the Organization received 68% of its total revenue from one entity. In 2011, the Organization received 69% of its total revenue from one entity.



**Independent Auditor’s Report on Supplementary Information**

To the Board of Directors of  
**Prison Fellowship International**  
Lansdowne, Virginia

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We have audited the financial statements of **Prison Fellowship International** as of and for the years ended December 31, 2012 and 2011, and our report thereon dated April 24, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rockville, Maryland  
April 24, 2013

## Prison Fellowship International

### Schedule of Functional Expenses

<i>Year Ended December 31, 2012</i>	Ministry Services and Development	General and Administrative	Fundraising	<b>Total</b>
Salaries and benefits	\$ 1,623,245	\$ 398,300	\$ 56,323	\$ <b>2,077,868</b>
Conferences	992	-	366	<b>1,358</b>
Depreciation and amortization	93,606	17,110	296	<b>111,012</b>
Legal and insurance	6,184	84,812	269	<b>91,265</b>
Material giveaways	4,742	1,908	-	<b>6,650</b>
Non-cash contributions	39,263	-	-	<b>39,263</b>
Other	10,102	9,545	390	<b>20,037</b>
Postage	55,955	12,515	662	<b>69,132</b>
Printing	39,439	9,265	-	<b>48,704</b>
Professional services	248,267	49,552	208,867	<b>506,686</b>
Rent, maintenance and utilities	216,255	75,744	5,530	<b>297,529</b>
Software and internet	14,455	4,274	591	<b>19,320</b>
Special projects	343,456	-	-	<b>343,456</b>
Supplies	19,035	2,900	158	<b>22,093</b>
Telephone	34,983	698	47	<b>35,728</b>
Translation	19,159	1,290	-	<b>20,449</b>
Travel	356,509	44,296	-	<b>400,805</b>
<b>Total</b>	<b>\$ 3,125,647</b>	<b>\$ 712,209</b>	<b>\$ 273,499</b>	<b>\$ 4,111,355</b>

See Independent Auditor's Report on Supplementary Information.

# Prison Fellowship International

## Schedule of Functional Expenses

<i>Year Ended December 31, 2011</i>	Ministry Services and Development	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,801,603	\$ 371,508	\$ 24,477	\$ 2,197,588
Conferences	4,475	-	-	4,475
Depreciation and amortization	139,016	17,046	-	156,062
Legal and insurance	7,014	15,283	-	22,297
Material giveaways	15,081	695	-	15,776
Non-cash contributions	43,241	-	-	43,241
Other	14,746	19,932	332	35,010
Postage	52,264	10,047	-	62,311
Printing	72,709	8,922	-	81,631
Professional services	710,552	38,875	4,560	753,987
Rent, maintenance and utilities	258,569	73,088	-	331,657
Software and internet	17,405	5,629	-	23,034
Special projects	288,227	-	-	288,227
Supplies	48,355	2,492	-	50,847
Telephone	44,030	1,422	-	45,452
Translation	50,434	928	-	51,362
Travel	1,387,903	23,799	1,026	1,412,728
<b>Total</b>	<b>\$ 4,955,624</b>	<b>\$ 589,666</b>	<b>\$ 30,395</b>	<b>\$ 5,575,685</b>

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