

Samaritan's Feet International

Financial Statements
For The Year Ended December 31, 2015



SAMARITAN'S FEET INTERNATIONAL

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Blair, Bohlé & Whitsitt PLLC
Certified Public Accountants

10815 Sikes Place
Suite 100
Charlotte, NC
28277

704-841-9800 Main
704-841-9802 Fax
www.bbwpllc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Samaritan's Feet International
Charlotte, North Carolina

We have audited the accompanying financial statements of Samaritan's Feet International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samaritan's Feet International as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blair, Bohle & Whitsitt, PC

Charlotte, North Carolina
May 9, 2016



SAMARITAN'S FEET INTERNATIONAL

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

Current assets

| | |
|-----------------------------|------------------|
| Cash and cash equivalents | \$ 611,713 |
| Contributions receivable | 34,130 |
| Inventory | 1,201,528 |
| Prepaid expenses and other | 11,640 |
| Total current assets | 1,859,011 |

Property and equipment

| | |
|-----------------------------------|---------------|
| Vehicles | 33,370 |
| Furniture, fixtures and equipment | 116,007 |
| Total | 149,377 |
| Accumulated depreciation | (124,660) |
| Net property and equipment | 24,717 |

Other assets

| | |
|----------|---------------------|
| Deposits | 6,600 |
| | \$ 1,890,328 |

Current liabilities

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 217,449 |
| Loan payable | 25,000 |
| Deferred rent expense | 15,085 |
| Unearned revenue | 210,488 |
| Total current liabilities | 468,022 |

NET ASSETS

| | |
|-------------------------|---------------------|
| Unrestricted | 220,778 |
| Temporarily restricted | 1,201,528 |
| Total net assets | 1,422,306 |
| | \$ 1,890,328 |

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



SAMARITAN'S FEET INTERNATIONAL

STATEMENT OF ACTIVITIES

For the year ended December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|---------------------|
| Revenue | | | |
| Contributions and grants | \$ 1,398,410 | \$ - | \$ 1,398,410 |
| Champions of Hope | 936,417 | - | 936,417 |
| Missions | 310,790 | - | 310,790 |
| In-kind donations | 173,470 | 975,020 | 1,148,490 |
| Other | 22 | - | 22 |
| Net assets released from restriction: | | | |
| Satisfaction of program restrictions | 512,945 | (512,945) | - |
| Total revenue | <u>3,332,054</u> | <u>462,075</u> | <u>3,794,129</u> |
| Expenses | | | |
| Program services | 2,816,498 | - | 2,816,498 |
| Management and general | 173,967 | - | 173,967 |
| Fundraising | 259,264 | - | 259,264 |
| Total expenses | <u>3,249,729</u> | <u>-</u> | <u>3,249,729</u> |
| Change in net assets | 82,325 | 462,075 | 544,400 |
| Net assets, beginning of year | <u>138,453</u> | <u>739,453</u> | <u>877,906</u> |
| Net assets, end of the year | <u>\$ 220,778</u> | <u>\$ 1,201,528</u> | <u>\$ 1,422,306</u> |

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



SAMARITAN'S FEET INTERNATIONAL

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| PERSONNEL | | | | |
| Salaries | \$ 565,334 | \$ 72,136 | \$ 83,881 | \$ 721,351 |
| Payroll taxes | 53,627 | 6,703 | 6,703 | 67,033 |
| Total | <u>618,961</u> | <u>78,839</u> | <u>90,584</u> | <u>788,384</u> |
| OTHER | | | | |
| Distributed goods domestically | 770,050 | - | - | 770,050 |
| Distributed goods internationally | 695,139 | - | - | 695,139 |
| Professional services | - | 32,966 | - | 32,966 |
| Advertising and promotional | 306,885 | - | 131,522 | 438,407 |
| Information and technology | - | 16,776 | - | 16,776 |
| Occupancy | 100,189 | 11,787 | 5,893 | 117,869 |
| Travel | 67,516 | 9,645 | 19,290 | 96,451 |
| Insurance | 26,972 | - | - | 26,972 |
| Transportation and travel | 43,868 | 5,161 | 2,580 | 51,609 |
| Contract services | 10,752 | 1,265 | 632 | 12,649 |
| Warehouse and logistics | 27,190 | - | - | 27,190 |
| General and administrative | 111,574 | 13,126 | 6,563 | 131,263 |
| Other | 28,931 | 3,405 | 1,702 | 34,038 |
| Total | <u>2,189,066</u> | <u>94,131</u> | <u>168,182</u> | <u>2,451,379</u> |
| Total expenses before depreciation | 2,808,027 | 172,970 | 258,766 | 3,239,763 |
| Depreciation expense | 8,471 | 997 | 498 | 9,966 |
| TOTAL EXPENSES | <u>\$ 2,816,498</u> | <u>\$ 173,967</u> | <u>\$ 259,264</u> | <u>\$ 3,249,729</u> |

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



SAMARITAN'S FEET INTERNATIONAL

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

| | |
|---|-------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 544,400 |
| Adjustments to reconcile change in net assets to net cash provided operating activities: | |
| Depreciation | 9,966 |
| (Increase) decrease in: | |
| Receivables | (7,807) |
| Inventory | (462,075) |
| Prepaid expenses and other assets | (11,640) |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | 77,647 |
| Deferred rent expense | (7,592) |
| Unearned revenue | 77,273 |
| Net cash provided by operating activities | <u>220,172</u> |
| Cash flows from financing activities | |
| Proceeds from loan payable | 200,000 |
| Principal payments on loan payable | (175,000) |
| Net cash provided by financing activities | <u>25,000</u> |
| Cash flows from investing activities | |
| Purchases of property and equipment | (12,122) |
| Net cash used in investing activities | <u>(12,122)</u> |
| Net increase in cash and cash equivalents | 233,050 |
| Cash and cash equivalents, beginning of year | <u>378,663</u> |
| Cash and cash equivalents, end of year | <u>\$ 611,713</u> |
| Supplemental disclosure of cash flow information: | |
| Interest paid | <u>\$ 11,468</u> |

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



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 – ORGANIZATION AND PURPOSE

Organization and purpose

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

Funding sources

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds or gifts-in-kind subject to specific donor-imposed restrictions contingent upon the occurrence of a future event or a specific passage of time before SFI may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

All net assets except inventory are unrestricted at December 31, 2015. Inventory is temporarily restricted and must be distributed in accordance with the Organization's mission.

Cash and Cash Equivalents

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



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment exceeding \$500 of value are recorded at cost if purchased or fair market value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which vary from five years for vehicles to five to seven years for furniture, fixtures and equipment. Depreciation expense for the year ended December 31, 2015 was \$9,966.

Unearned revenue

The Organization collects funds for events and mission trips that occur in future periods. The balance related to these activities was \$210,488 as of December 31, 2015.

Revenue recognition

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

Recorded donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. The Organization recorded no contributed services and \$1,148,490 of donated goods for the year ended December 31, 2015.

Other donated goods and services

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

Advertising

Advertising costs are expensed as incurred. Advertising costs totaled \$17,679 for the year ended December 31, 2015.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

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

Federal income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code. Generally accepted accounting procedures require an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization had no uncertain tax positions as of December 31, 2015.

Use of estimates

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

NOTE 3 – INVENTORY

The Organization uses the first-in, first-out method for determining the value of its inventory. Inventory received in-kind is valued based on management's estimate of fair value for each item. Inventory purchased is valued based on the amount paid for each item. Inventory is warehoused at the Organization's warehouse in Charlotte, North Carolina unless in transit. At December 31, 2015, inventory consisted of 90,087 pairs of shoes which had not been distributed.

NOTE 4 – LOAN PAYABLE

During 2015, the Organization borrowed \$200,000 from a financial institution as a bridge loan for working capital purposes, as it was required to make certain payments in advance for a 2015 fundraising event. The loan payable accrues interest at 5% and matures in 2016. Interest expense related to the loan payable totaled \$2,698 for the year ended December 31, 2015. The balance outstanding under the loan payable at December 31, 2015 was \$25,000.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 5 – OPERATING LEASE

The Organization leases its office and warehouse under an operating lease agreement. The Organization records rent expense on a straight-line basis over the lease term. The difference between the payments and expense in any period is recorded as deferred rent, which is \$15,085 at December 31, 2015. Rent expense was \$77,669 for the year ended December 31, 2015. Future minimum payments due under the operating lease agreement were as follows:

For the years ending December 31:

| | |
|-------|-------------------|
| 2016 | \$ 120,030 |
| 2017 | 121,530 |
| 2018 | <u>113,328</u> |
| Total | \$ <u>354,888</u> |

NOTE 6 – CONCENTRATIONS OF RISK

During the year ended December 31, 2015, the Organization received 48 percent of its in-kind donated shoes from one company. If the Organization did not receive large in-kind donations from this company or others like it, its operations could be significantly affected.

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2015, the Organization's uninsured cash balances totaled \$120,876.

NOTE 7 – SUBSEQUENT EVENTS

The Organization has evaluated all events subsequent to the financial position date of December 31, 2015 through May 9, 2016, which is the date the financial statements were issued. During this period, no material recognizable subsequent events were identified.

