
SAMARITAN'S FEET INTERNATIONAL

Charlotte, North Carolina

Financial Statements

For the Year Ended December 31, 2017



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, 2017, 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, 2017, 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
June 12, 2018



SAMARITAN'S FEET INTERNATIONAL

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Current assets

Cash and cash equivalents	\$	573,921
Contributions receivable, net		577,318
Inventory		2,418,816
Prepaid expenses and other		66,684
Total current assets		<u>3,636,739</u>

Property and equipment

Vehicles		33,370
Furniture, fixtures and equipment		126,568
Total		<u>159,938</u>
Accumulated depreciation		<u>(142,774)</u>
Net property and equipment		<u>17,164</u>

Other assets

Deposits		<u>6,600</u>
	\$	<u>3,660,503</u>

Current liabilities

Line of credit	\$	251,322
Accounts payable and accrued expenses		180,774
Deferred rent expense		6,533
Unearned revenue		137,698
Total current liabilities		<u>576,327</u>

NET ASSETS

Unrestricted		665,360
Temporarily restricted		<u>2,418,816</u>
Total net assets		<u>3,084,176</u>
	\$	<u>3,660,503</u>

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



SAMARITAN'S FEET INTERNATIONAL

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Contributions and grants	\$ 1,833,930	\$ -	\$ 1,833,930
Champions of Hope	1,368,694	-	1,368,694
Missions	414,945	-	414,945
In-kind donations	254,200	2,023,510	2,277,710
Other	1,175	-	1,175
Net assets released from restriction:			
Satisfaction of program restrictions	653,053	(653,053)	-
Total revenue	<u>4,525,997</u>	<u>1,370,457</u>	<u>5,896,454</u>
Expenses			
Program services	3,387,330	-	3,387,330
Management and general	311,849	-	311,849
Fundraising	411,420	-	411,420
Total expenses	<u>4,110,599</u>	<u>-</u>	<u>4,110,599</u>
Change in net assets	415,398	1,370,457	1,785,855
Net assets, beginning of year	<u>249,962</u>	<u>1,048,359</u>	<u>1,298,321</u>
Net assets, end of the year	<u>\$ 665,360</u>	<u>\$ 2,418,816</u>	<u>\$ 3,084,176</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, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL				
Salaries	\$ 713,605	\$ 123,816	\$ 87,970	\$ 925,391
Payroll taxes	62,462	3,674	7,348	73,484
Total	<u>776,067</u>	<u>127,490</u>	<u>95,318</u>	<u>998,875</u>
OTHER				
Distributed goods domestically	1,281,297	-	-	1,281,297
Distributed goods internationally	758,760	-	-	758,760
Professional services	7,597	32,279	-	39,876
Advertising and promotional	102,145	-	238,338	340,483
Information and technology	-	34,957	-	34,957
Occupancy	167,708	19,730	9,865	197,303
Travel	23,432	9,373	60,923	93,728
Insurance	36,499	-	-	36,499
Transportation and travel	3,436	191	191	3,818
Contract services	43,094	-	-	43,094
Warehouse and logistics	30,815	-	-	30,815
Office expenses	108,148	12,723	6,362	127,233
Bad debt expense	-	67,000	-	67,000
Other	41,135	7,259	-	48,394
Total	<u>2,604,066</u>	<u>183,512</u>	<u>315,679</u>	<u>3,103,257</u>
Total expenses before depreciation	3,380,133	311,002	410,997	4,102,132
Depreciation expense	7,197	847	423	8,467
TOTAL EXPENSES	<u>\$ 3,387,330</u>	<u>\$ 311,849</u>	<u>\$ 411,420</u>	<u>\$ 4,110,599</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, 2017

Cash flows from operating activities	
Change in net assets	\$ 1,785,855
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	8,467
(Increase) decrease in:	
Receivables	(510,651)
Inventory	(1,370,457)
Prepaid expenses and other assets	(36,386)
Increase (decrease) in:	
Accounts payable and accrued expenses	49,226
Deferred rent expense	(5,026)
Unearned revenue	55,867
Net cash used in operating activities	<u>(23,105)</u>
Cash flows from financing activities	
Net borrowings on line of credit	101,322
Net cash provided by financing activities	<u>101,322</u>
Cash flows from investing activities	
Purchases of property and equipment	(8,255)
Net cash used in investing activities	<u>(8,255)</u>
Net increase in cash and cash equivalents	69,962
Cash and cash equivalents, beginning of year	<u>503,959</u>
Cash and cash equivalents, end of year	<u>\$ 573,921</u>
Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 12,306</u>

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



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017. Inventory is temporarily restricted and must be distributed in accordance with the Organization's mission.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Contributions and other receivables

Contribution and other receivables are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding contributions and other receivables. Amounts are written off when they are deemed uncollectible. The allowance for doubtful accounts at December 31, 2017 was \$67,000. All contribution and other receivables are due within one year of December 31, 2017.

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, 2017 was \$8,467.

Unearned revenue

The Organization collects funds for events and mission trips that occur in future periods. The balance related to these activities was \$137,698 as of December 31, 2017.

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.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 \$2,277,710 of donated goods for the year ended December 31, 2017.

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 \$33,827 for the year ended December 31, 2017.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent performing tasks associated with these activities 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, 2017.

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.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recent Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Adoption of FASB ASU 2016-14 will result in significant changes to financial reporting and disclosures for not-for-profit entities. More specifically, the standard addresses the complexity of net asset classification, clarity of information regarding liquidity and availability of cash, transparency in reporting financial performance measures, consistency in reporting expenses by function and nature, and the utility of the cash flow statement. FASB ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, which will be the year beginning January 1, 2018 for the Organization. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

NOTE 3 – INVENTORY

Inventory is stated at the lower of cost or net realizable value. 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, 2017, inventory consisted of 218,136 pairs of shoes which had not been distributed.

NOTE 4 – LINE OF CREDIT

During 2016, the Organization entered into a line of credit agreement with a financial institution which provides for borrowings up to \$250,000. During 2017 this was replaced with a line of credit with a different financial institution which provides for borrowings up to \$275,000. This agreement expires on October 17, 2018. The line of credit accrues interest at the greater of a floating rate equal to the index plus 1.7% or the Floor Rate of 5.0%. The rate at December 31, 2017 was 6.2%. Interest expense related to the line of credit totaled \$12,306 for the year ended December 31, 2017. The outstanding balance at December 31, 2017 for this line of credit was \$251,322.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 \$6,533 at December 31, 2017. Rent expense was \$116,504 for the year ended December 31, 2017. Future minimum payments due under the operating lease agreement were as follows:

For the year ending December 31:

2018	<u>113,328</u>
Total	\$ <u><u>113,328</u></u>

NOTE 6 – CONCENTRATIONS OF RISK

During the year ended December 31, 2017, the Organization received 43 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, 2017, the Organization's uninsured cash balances totaled \$182,779.

NOTE 7 – SUBSEQUENT EVENTS

The Organization has evaluated all events subsequent to the financial position date of December 31, 2017 through June 12, 2018, which is the date the financial statements were issued. During this period, no material recognizable subsequent events were identified.

