
SAMARITAN'S FEET INTERNATIONAL

Charlotte, North Carolina

Financial Statements

For the Year Ended December 31, 2018



SAMARITAN'S FEET INTERNATIONAL

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12





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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, 2018, 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, 2018, 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
December 20, 2019



SAMARITAN'S FEET INTERNATIONAL

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash and cash equivalents	\$	403,085
Contributions receivable, net		65,153
Inventory		923,655
Prepaid expenses and other		16,786
Total current assets		<u>1,408,679</u>

Property and equipment

Vehicles		33,370
Furniture, fixtures and equipment		126,568
Total		<u>159,938</u>
Accumulated depreciation		<u>(150,419)</u>
Net property and equipment		<u>9,519</u>

Other assets

Deposits		<u>6,600</u>
	\$	<u>1,424,798</u>

Current liabilities

Line of credit	\$	202,590
Accounts payable and accrued expenses		71,254
Unearned revenue		22,100
Total current liabilities		<u>295,944</u>

NET ASSETS

Without donor restrictions		205,199
With donor restrictions		<u>923,655</u>
Total net assets		<u>1,128,854</u>
	\$	<u>1,424,798</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, 2018

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions and grants	\$ 1,884,956	\$ -	\$ 1,884,956
Champions of Hope	783,177	-	783,177
Missions	551,237	-	551,237
In-kind donations	136,560	733,520	870,080
Other	4,943	-	4,943
Net assets released from restriction:			
Satisfaction of program restrictions	2,228,681	(2,228,681)	-
Total revenue	<u>5,589,554</u>	<u>(1,495,161)</u>	<u>4,094,393</u>
Expenses			
Program services	5,356,260	-	5,356,260
Management and general	290,055	-	290,055
Fundraising	403,400	-	403,400
Total expenses	<u>6,049,715</u>	<u>-</u>	<u>6,049,715</u>
Change in net assets	(460,161)	(1,495,161)	(1,955,322)
Net assets, beginning of year	<u>665,360</u>	<u>2,418,816</u>	<u>3,084,176</u>
Net assets, end of year	<u>\$ 205,199</u>	<u>\$ 923,655</u>	<u>\$ 1,128,854</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, 2018

	Program Services	Management and General	Fundraising	Total
PERSONNEL				
Salaries	\$ 769,303	\$ 141,473	\$ 104,058	\$ 1,014,834
Payroll taxes	64,826	3,813	7,627	76,266
Total	834,129	145,286	111,685	1,091,100
OTHER				
Distributed goods domestically	2,533,736	-	-	2,533,736
Distributed goods internationally	1,371,614	-	-	1,371,614
Professional services	10,639	34,243	-	44,882
Advertising and promotional	83,869	-	195,694	279,563
Information and technology	-	58,988	-	58,988
Occupancy	156,695	18,435	9,217	184,347
Travel	30,868	12,347	80,256	123,471
Insurance	31,089	-	-	31,089
Transportation and travel	1,378	77	77	1,532
Contract services	121,612	-	-	121,612
Warehouse and logistics	34,149	-	-	34,149
Office expenses	103,512	12,178	6,089	121,779
Bad debt expense	-	1,300	-	1,300
Other	36,472	6,436	-	42,908
Total	4,515,633	144,004	291,333	4,950,970
Total expenses before depreciation	5,349,762	289,290	403,018	6,042,070
Depreciation expense	6,498	765	382	7,645
TOTAL EXPENSES	\$ 5,356,260	\$ 290,055	\$ 403,400	\$ 6,049,715

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, 2018

Cash flows from operating activities

Change in net assets \$ (1,955,322)

Adjustments to reconcile increase in net assets
to net cash used in operating activities:

Depreciation 7,645

Decrease in:

Receivables 512,165

Inventory 1,495,161

Prepaid expenses and other assets 49,898

Decrease in:

Accounts payable and accrued expenses (109,520)

Deferred rent expense (6,533)

Unearned revenue (115,598)

Net cash used in operating activities (122,104)

Cash flows from financing activities

Net repayment on line of credit (48,732)

Net cash used in financing activities (48,732)

Net decrease in cash and cash equivalents (170,836)

Cash and cash equivalents, beginning of year 573,921

Cash and cash equivalents, end of year \$ 403,085

Supplemental disclosure of cash flow information:

Interest paid \$ 13,926

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



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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:

- Net assets without donor restrictions consist of amounts currently available for use in the day-to-day operation of the Organization and are not subject to donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
- Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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. Net assets received with restrictions that are met in the same reporting period are included in net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

All net assets except inventory are without donor restrictions at December 31, 2018. Inventory is restricted and must be distributed in accordance with the Organization's mission.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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. As of December 31, 2018, all receivables were considered by management to be fully collectible. All contribution and other receivables are due within one year of December 31, 2018.

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, 2018 was \$7,645.

Unearned revenue

The Organization collects funds for events and mission trips that occur in future periods. The balance related to these activities was \$22,100 as of December 31, 2018.

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 net assets without restrictions. Grants and donor contributions with donor-imposed restrictions are reported as net assets with donor restrictions and are then reclassified to net assets without donor restrictions 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, 2018

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 \$870,080 of donated goods for the year ended December 31, 2018.

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 \$37,822 for the year ended December 31, 2018.

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, 2018.

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, 2018

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

Change in Accounting Principles

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 resulted 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. ASU 2016-14 was effective for the Organization's December 31, 2018 financial statements.

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 warehouses in Charlotte, North Carolina unless in transit. At December 31, 2018, inventory consisted of 200,932 pairs of shoes which had not been distributed.

NOTE 4 – LINE OF CREDIT

The Organization has a line of credit with a financial institution which provides for borrowings up to \$275,000. This agreement expires on October 17, 2020. 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, 2018 was 7.2%. Interest expense related to the line of credit totaled \$13,926 for the year ended December 31, 2018. The outstanding balance at December 31, 2018 for this line of credit was \$202,590.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 \$0 at December 31, 2018. Rent expense was \$117,097 for the year ended December 31, 2018. Future minimum payments due under the operating lease agreement were as follows:

For the year ending December 31:

2019	\$ 120,020
2020	147,625
2021	<u>24,724</u>
Total	\$ <u>292,369</u>

NOTE 6 – CONCENTRATIONS OF RISK

During the year ended December 31, 2018, the Organization received 32 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, 2018, the Organization's uninsured cash balances totaled \$144,981.

NOTE 7 – FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.



SAMARITAN'S FEET INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7 – FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS (continued)

Financial assets, at year end	\$ 1,415,279
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Inventory	(923,655)
Deposits	<u>(6,600)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 485,024</u>

NOTE 8 – RELATED PARTIES

The Organization received in-kind donated shoes from a related party. The total value of shoes received from this related party was \$234,000 for the year ended December 31, 2018.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated all events subsequent to the financial position date of December 31, 2018 through December 20, 2019, which is the date the financial statements were issued. During this period, no material recognizable subsequent events were identified.

