

# SAMARITAN'S FEET INTERNATIONAL

Financial Statements  
With Independent Auditors' Report

December 31, 2022

# SAMARITAN'S FEET INTERNATIONAL

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

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, 2022, and the related statements of activities and cash flow for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Samaritan's Feet International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As described in Note 10 to the financial statements, Samaritan's Feet International identified adjustments pertaining to goods pending distribution as of January 1, 2022. Beginning net assets as of January 1, 2022, have been adjusted to correct these errors. Our opinion has not been modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan's Feet International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Samaritan's Feet's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan's Feet's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Capin Crouse LLP*

Lawrenceville, Georgia  
February 27, 2024

# SAMARITAN'S FEET INTERNATIONAL

## Statement of Financial Position

December 31, 2022

### ASSETS:

Cash and cash equivalents	\$ 14,572,943
Investments	505,117
Goods pending distribution	3,439,907
Contributions receivable	2,209,080
Property and equipment—net	<u>6,714,410</u>

Total Assets \$ 27,441,457

### LIABILITIES AND NET ASSETS:

#### Liabilities:

Accounts payable and accrued expenses	\$ 284,062
Notes payable	<u>3,651,671</u>
Total liabilities	<u>3,935,733</u>

#### Net assets:

Net assets without donor restrictions	(5,737,664)
Net assets with donor restrictions	<u>29,243,388</u>
Total net assets	<u>23,505,724</u>

Total Liabilities and Net Assets \$ 27,441,457

See notes to financial statements

# SAMARITAN'S FEET INTERNATIONAL

## Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions:			
Cash	\$ 1,892,455	\$ 23,482,017	\$ 25,374,472
Gifts in kind of nonfinancial assets	-	2,954,515	2,954,515
Investment loss	(14,280)		(14,280)
Other income	325,855	-	325,855
Total Support and Revenue	2,204,030	26,436,532	28,640,562
<b>RECLASSIFICATIONS:</b>			
Satisfaction of purpose restrictions	5,674,404	(5,674,404)	-
<b>EXPENSES:</b>			
Program services	14,105,726	-	14,105,726
Supporting activities:			
Management and general	1,157,552	-	1,157,552
Fundraising	248,336	-	248,336
	1,405,888	-	1,405,888
Total Expenses	15,511,614	-	15,511,614
Change in Net Assets	(7,633,180)	20,762,128	13,128,948
Net Assets, Beginning of Year:			
As Previously Reported	1,895,516	11,861,416	13,756,932
Prior Period Adjustment (Note 10)	-	(3,380,156)	(3,380,156)
As Restated	1,895,516	8,481,260	10,376,776
Net Assets, End of Year	\$ (5,737,664)	\$ 29,243,388	\$ 23,505,724

See notes to financial statements

# SAMARITAN'S FEET INTERNATIONAL

## Statement of Cash Flows

Year Ended December 31, 2022

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 13,128,948
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	190,035
Unrealized losses on investments	68,937
Changes in assets/liabilities:	
Increase in goods pending distribution	(971,882)
Decrease in contributions receivable	2,558,692
Increase in accounts payable and accrued expenses	(106,656)
Net Cash Provided by Operating Activities	<u>14,868,074</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(87,549)
Proceeds from the sale of investments	216,599
Purchase of property and equipment	(457,264)
Net Cash Used by Investing Activities	<u>(328,214)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable	<u>(1,563,176)</u>
Change in Cash and Cash Equivalents	12,976,684
Cash and Cash Equivalents, Beginning of Year	<u>1,596,259</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,572,943</u>

### SUPPLEMENTAL DISCLOSURE:

Cash paid for interest	<u>\$ 175,500</u>
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See notes to financial statements

# SAMARITAN'S FEET INTERNATIONAL

## Notes to Financial Statements

December 31, 2022

### 1. NATURE OF ORGANIZATION:

Samaritan's Feet International (the Organization) was incorporated in the state of North Carolina in 2003. The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). The primary source of revenue for the Organization is contributions from the general public.

The Organization serves and inspires hope in children by providing shoes as the foundation to a spiritual and healthy life resulting in the advancement of education and economic opportunities.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes checking, savings, and money market accounts. Cash equivalents are defined as short-term, highly liquid debt securities that are both readily convertible to cash and have an original maturity of three months or less. At December 31, 2022, the Organization's cash and cash equivalent balances with financial institutions exceeded federally insured limits by \$14,267,943.

#### INVESTMENTS

Investments in marketable securities with readily determinable fair values are recorded at fair value based on the last reported sales price on the valuation date. Donated investments are recorded at market value at the date of donation, and thereafter carried in accordance with the above provisions. Dividend and interest income as well as the realized and unrealized gains (losses) on marketable securities are included in investment loss in the accompanying statement of activities.

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. At December 31, 2022, all of the Organization's investments are considered Level 1 investments. The valuation methodologies used for assets measured at fair value are based upon quoted market prices or dealer quotes in an open market.



# SAMARITAN'S FEET INTERNATIONAL

## Notes to Financial Statements

December 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### GOODS PENDING DISTRIBUTION

The Organization's goods that are pending distribution consist of both donated and purchased goods. Donated goods are valued at their estimated fair value using the valuation methods described below and the purchased goods are stated at the lower of cost or net realizable value. Substantially all the goods pending distribution as of December 31, 2022, are expected to be distributed during the year ending December 31, 2023. Significant damage may result in goods not being distributed. Management has determined any allowance for obsolescence or goods unable to be distributed by reviewing activity and distribution history. Actual losses are recorded as a charge to the allowance as incurred, and additions to the allowance are charged to cost of goods distributed.

#### CONTRIBUTIONS RECEIVABLE

Contributions receivable includes unconditional promises made by certain donors wherein the donors have unconditionally promised contributions to the Organization in future periods. Unconditional promises expected to be collected within one year are recorded as support and a receivable at net realizable value. Unconditional promises expected to be collected in future years are recorded as support and a receivable at the present value of the expected future cash flows. Discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. As of December 31, 2022, management determined that no discount was necessary. The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the contributions receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the contributions receivable portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired accounts, and economic conditions. As of December 31, 2022, management determined no allowance was necessary.

#### PROPERTY AND EQUIPMENT—NET

Items capitalized as property and equipment are stated at cost or, if donated, at fair value on the date of donation. The Organization generally capitalizes all property and equipment acquisitions in excess of \$2,500. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 39 years.

#### CLASSES OF NET ASSETS

The financial statements report amounts separately by classes of net assets:

*Net assets without donor restrictions* are currently available at the direction of the board for use in the Organization's operations or invested in property and equipment.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

# SAMARITAN'S FEET INTERNATIONAL

## Notes to Financial Statements

December 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### REVENUE AND REVENUE RECOGNITION

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as reclassifications. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met.

Gifts in kind of nonfinancial assets received through private donations are recorded at their estimated fair value. For the year ended December 31, 2022, gifts in kind of nonfinancial assets is comprised of donated footwear. The value of donated footwear was derived using acquisition costs of comparable items.

Other income includes revenue that is comprised of an exchange element based on the value specified in a contract with a customer. The Organization recognizes the exchange portion of other revenue when it satisfies a performance obligation over the duration of the contract period. All other revenue types are recognized when earned.

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets have been placed in service.

Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

#### EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Directly identifiable expenses are charged to the respective program and supporting services. Expenses related to more than one function are initially charged to programs and supporting services primarily based on a percentage of estimated utilized square footage or employee time and effort. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

# SAMARITAN'S FEET INTERNATIONAL

## Notes to Financial Statements

December 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONCENTRATIONS

The Organization received approximately 80% of total cash contributions from a single donor during the year ended December 31, 2022. The Organization also received approximately 88% of total gifts in kind contributions from four donors during the year ended December 31, 2022. The organizational implications of this are recognized by management.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor imposed restrictions, and valuation techniques. Adoption of this standard had no impact on net assets as of December 31, 2022.

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to fulfilling its vision as well as the conduct of services undertaken to support those activities to be general expenditures.

#### Financial assets:

Cash and cash equivalents	\$ 14,572,943
Investments	505,117
Contributions receivable	<u>2,209,080</u>
	<u>17,287,140</u>

Less those unavailable for general expenditures within one year, due to donor restriction:

World Shoe (shoe development and distribution)	<u>(9,145,298)</u>
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Financial assets available to meet cash needs for general expenditures within one year

\$ 8,141,842

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2022, the Organization has \$28,997,784 in net assets with donor restrictions for various time restrictions and projects.

# SAMARITAN'S FEET INTERNATIONAL

## Notes to Financial Statements

December 31, 2022

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

Land	\$ 1,026,000
Buildings and improvements	5,778,961
Furniture and equipment	281,048
Vehicles	66,918
	<u>7,152,927</u>
Less accumulated depreciation	<u>(438,517)</u>
	<u>\$ 6,714,410</u>

5. NOTE PAYABLE:

Promissory note payable to a certain financial institution with an original principal amount of \$5,152,000; bears interest at a fixed rate of 3.75%; requires monthly payments of principal and interest of \$30,552, with all unpaid principal and accrued interest due at maturity in June 2026; collateralized by certain real property.

\$ 3,651,671

Notes payable are estimated to mature as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 233,680
2024	242,595
2025	251,851
2026	<u>2,923,545</u>
	<u>\$ 3,651,671</u>

The Organization is required to meet certain time and financial covenants. As of December 31, 2022, the time and financial covenants have been met or waiver obtained.

# SAMARITAN'S FEET INTERNATIONAL

## Notes to Financial Statements

December 31, 2022

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions of purpose or time consist of:

World Shoe (shoe development and distribution)	\$ 20,770,298
Capital campaign	4,341,194
Shoes of hope (acquisition and distribution)	3,678,733
Missions	207,559
	\$ 28,997,784

7. EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to program or supporting functions of the Organization.

Functional expenses by natural classification for the year ended December 31, 2022, consist of:

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,437,157	\$ 269,467	\$ 89,822	\$ 1,796,446
Grant distributions	8,545,058	-	-	8,545,058
Shoe purchases	1,077,709	-	-	1,077,709
Inventory spoilage	632,813	-	-	632,813
Travel, meals, and entertainment	251,228	251,228	-	502,456
Utilities and occupancy	431,118	47,902	-	479,020
Shipping and postage	329,097	-	-	329,097
Repairs and maintenance	290,869	32,319	-	323,188
Advertising and marketing	158,514	-	158,514	317,028
Other	128,932	128,932	-	257,864
Professional services	126,751	126,751	-	253,502
Information technology	97,206	97,206	-	194,412
Depreciation	171,032	19,003	-	190,035
Interest	157,950	17,550	-	175,500
Office supplies	-	162,117	-	162,117
Community and partner contributions	105,508	-	-	105,508
Sales tax	75,505	-	-	75,505
Insurance	45,691	5,077	-	50,768
Missions and outreach	43,588	-	-	43,588
	\$ 14,105,726	\$ 1,157,552	\$ 248,336	\$ 15,511,614

# SAMARITAN'S FEET INTERNATIONAL

## Notes to Financial Statements

December 31, 2022

### 8. RELATED PARTY TRANSACTIONS:

During the year ended December 31, 2022, the Organization made \$7,000,000 in grants to a donor advised fund held by a Foundation whose president serves on the Organization's board of directors. The advisors to the donor advised fund also serve on the Organization's board of directors.

At December 31, 2022, \$405,000 of the Organization's contributions receivable were from the Organization's board members.

### 9. RETIREMENT BENEFITS:

The Organization sponsors a 403(b) retirement plan whereby eligible employees can contribute to their individual retirement account. For the year ended December 31, 2022, the Organization's contributions to the plan totaled \$51,852.

### 10. PRIOR PERIOD ADJUSTMENTS:

During the year ended December 31, 2022, management determined that the prior period records contained misstatements that required correction. Certain goods pending distribution were overstated. Accordingly, prior period adjustments have been recorded to correct the errors. The effects of the adjustments on the net assets without donor restrictions as of January 1, 2022 and the effect on the change in net assets without donor restrictions and change in net assets with donor restrictions for the year ended December 31, 2022 were as follows:

	<u>As Previously Stated</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Net assets with donor restrictions	<u>\$ 11,861,416</u>	<u>\$ (3,380,156)</u>	<u>\$ 8,481,260</u>
Change in net assets without donor restrictions	<u>\$ 2,124,342</u>	<u>\$ 269,479</u>	<u>\$ 2,393,821</u>
Change in net assets with donor restrictions	<u>\$ (1,995,448)</u>	<u>\$ (269,479)</u>	<u>\$ (2,264,927)</u>

### 11. SUBSEQUENT EVENTS:

During the year ended December 31, 2023, \$11,625,000 in grants were used a manner that satisfied the purpose restriction of net assets with donor restrictions for the World Shoe program.

Subsequent events were evaluated through February 27, 2024, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.