Prison Fellowship International and Affiliates

Consolidated Financial Report
December 31, 2018

Contents

Independent Auditor's Report

To the Board of Directors
Prison Fellowship International

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Prison Fellowship International and Affiliates (PFI), which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 Prison Fellowship International and Affiliates as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Emphasis of Matter
As disclosed in Note 1 to the financial statements, PFI adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The adoption of this standard resulted in additional disclosures over liquidity and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information
We have previously audited PFI's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our reported dated August 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
October 10, 2019

Prison Fellowship International and Affiliates

Consolidated Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

		2018		2017
Assets				
Current assets:				
Cash and cash equivalents	**$**	**2,463,345**	$	2,172,291
Contributions receivable, current portion		**1,482,992**		1,159,065
Accounts receivable, net		**54,592**		41,503
Prepaid expenses		**281,078**		198,710
Total current assets		**4,282,007**		3,571,569
Other assets:				
Contributions receivable, net of current portion and discount		**199,718**		1,020,840
Investments		**-**		449,511
Equipment and furniture, net		**79,302**		70,979
Inventory		**2,181,602**		3,575,516
Total other assets		**2,460,622**		5,116,846
Total assets	**$**	**6,742,629**	$	8,688,415
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**379,733**	$	284,093
Net assets:				
Without donor restrictions		**2,287,140**		5,193,947
With donor restrictions		**4,075,756**		3,210,375
Total net assets		**6,362,896**		8,404,322
Total liabilities and net assets	**$**	**6,742,629**	$	8,688,415

See notes to consolidated financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Total
Support and revenues:				
Charter membership fees	**$ 124,347**	**$ -**	**$ 124,347**	$ 108,267
Ministry agreement revenue	**700,000**	**-**	**700,000**	1,400,000
Contributions:				
Foundations, churches and corporate grants	**136,362**	**702,048**	**838,410**	1,459,827
Major donors	**1,367,754**	**1,784,767**	**3,152,521**	1,226,041
Mid-level donors	**65,573**	**59,260**	**124,833**	117,589
Mass donors	**76,383**	**1,328,734**	**1,405,117**	1,069,824
Ticket sales	**370,566**	**-**	**370,566**	161,856
Donated goods and facilities	**198,638**	**-**	**198,638**	1,896,053
Investment (loss) income, net	**(6,519)**	**-**	**(6,519)**	2,440
(Loss) gain on foreign currency transactions and remeasurements	**(56,217)**	**-**	**(56,217)**	147,221
Other income	**15,705**	**-**	**15,705**	7,724
Net assets released from restrictions	**3,009,428**	**(3,009,428)**	**-**	-
Total support and revenues	**6,002,020**	**865,381**	**6,867,401**	7,596,842
Expenses:				
Program services:				
Prison programs	**2,795,306**	**-**	**2,795,306**	2,974,975
Children of Prisoners	**1,308,546**	**-**	**1,308,546**	1,596,364
Capacity Building	**482,702**	**-**	**482,702**	221,899
Communication and education	**279,291**	**-**	**279,291**	312,379
Total program services	**4,865,845**	**-**	**4,865,845**	5,105,617
Supporting services:				
Fundraising	**2,433,209**	**-**	**2,433,209**	1,085,346
Leadership, facilities and administration	**380,996**	**-**	**380,996**	441,193
Total supporting services	**2,814,205**	**-**	**2,814,205**	1,526,539
Total expenses	**7,680,050**	**-**	**7,680,050**	6,632,156
Change in net assets before other losses	**(1,678,030)**	**865,381**	**(812,649)**	964,686
Loss on contribution receivable	**(331,307)**	**-**	**(331,307)**	(84,713)
Loss on obsolete inventory	**(897,470)**	**-**	**(897,470)**	(38)
Change in net assets	**(2,906,807)**	**865,381**	**(2,041,426)**	879,935
Net assets:				
Beginning of year	**5,193,947**	**3,210,375**	**8,404,322**	7,524,387
End of year	**$ 2,287,140**	**$ 4,075,756**	**$ 6,362,896**	$ 8,404,322

See notes to consolidated financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018								
	Program Services					Supporting Services			
	Prison Programs	Children of Prisoners	Capacity Building	Communication and Education	Total Program Services	Fundraising	Leadership, Facilities and Administration	Total	2017 Total
Salaries and benefits	$ 342,856	$ 193,366	$ 292,145	$ 69,700	$ 898,067	$ 912,272	$ 543,632	$ 2,353,971	$ 2,341,497
Donations, ministry support and development	1,080,707	901,319	-	34,362	2,016,388	-	5,034	2,021,422	1,797,267
Professional fees	178,850	12,147	19,085	44,813	254,895	813,186	140,404	1,208,485	609,409
Travel	65,989	32,138	98,298	22	196,447	168,636	169,975	535,058	480,053
Printing and translations	378,491	6,609	3,173	28,248	416,521	38,417	6,768	461,706	403,468
Materials and supplies	372,954	363	876	8,594	382,787	36,501	14,671	433,959	241,984
Occupancy	-	2,000	4,953	-	6,953	5,120	99,247	111,320	109,164
Conferences and meetings	4,424	836	6,801	17,474	29,535	7,258	48,939	85,732	131,293
Software and internet	1,430	3,643	3,544	8,998	17,615	44,706	10,439	72,760	61,574
Public relations and education	-	-	-	3,292	3,292	58,888	-	62,180	31,299
Bank fees	15	50	3,185	26	3,276	44,898	12,675	60,849	52,743
Subscriptions, licenses and taxes	26,242	-	84	1,000	27,326	8,710	18,790	54,826	40,179
Recruiting and relocating	30,291	14,209	338	225	45,063	3,136	4,388	52,587	14,953
Depreciation	7,226	5,677	-	22,193	35,096	7,226	9,290	51,612	67,247
Postage and delivery	7,909	6	132	10,707	18,754	22,823	7,234	48,811	145,114
Miscellaneous expenses	7,864	400	-	656	8,920	8,948	46,904	64,772	104,912
Subtotal	2,505,248	1,172,763	432,614	250,310	4,360,935	2,180,725	1,138,390	7,680,050	6,632,156
Facilities and other overhead allocation	290,058	135,783	50,088	28,981	504,910	252,484	(757,394)	-	-
Total	$ 2,795,306	$ 1,308,546	$ 482,702	$ 279,291	$ 4,865,845	$ 2,433,209	$ 380,996	$ 7,680,050	$ 6,632,156

See notes to consolidated financial statements.

Prison Fellowship International and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (2,041,426)**	$ 879,935
Adjustments to reconcile change in net assets to net cash		
(used in) provided by operating activities:		
Depreciation	**51,612**	67,247
Net realized and unrealized loss on investments	**17,914**	1,579
Loss on disposal of equipment and furniture	**-**	788
Loss on obsolete inventory	**897,470**	-
Provision for doubtful accounts receivable	**-**	(32,636)
Provision for present value discount	**(12,946)**	(17,532)
Donated goods	**(75,157)**	(1,783,139)
Decrease (increase) in:		
Contributions receivable	**510,141**	802,611
Accounts receivable	**(13,089)**	96,889
Inventory	**571,601**	504,503
Prepaid expenses	**(82,368)**	(45,816)
Increase in:		
Accounts payable and accrued expenses	**95,640**	71,789
Net cash (used in) provided by operating activities	**(80,608)**	546,218
Cash flows from investing activities:		
Proceeds from sale of investment	**462,597**	1,046
Purchase of investments	**(31,000)**	(451,126)
Purchase of equipment and furniture	**(59,935)**	(16,962)
Net cash provided by (used in) investing activities	**371,662**	(467,042)
Net increase in cash and cash equivalents	**291,054**	79,176
Cash and cash equivalents:		
Beginning	**2,172,291**	2,093,115
Ending	**$ 2,463,345**	$ 2,172,291

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Prison Fellowship International (PFI) is a not-for-profit organization founded on August 8, 1979, in the District of Columbia. It has national affiliates in over 115 countries, each of which is an independent organization. Its purpose is to provide services to prisoners, ex-prisoners and their families around the world through its member affiliates. It works to foster mutual support and assistance and promotes the interchange of successful ministry methods among national ministries.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The consolidated financial statements are prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of PFI, Prison Fellowship International at Singapore LTD (PFI Singapore), Prison Fellowship International gGmbH (PFI Germany) and Prison Fellowship International Canada (PFI Canada). PFI controls and has an economic interest in PFI Singapore, PFI Germany and PFI Canada. All significant intercompany transactions and accounts have been eliminated in consolidation. For the purposes of this report, the four entities are referred to collectively as "the Organization."

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, Presentation of Financial Statements, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are net assets that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions that are temporary in nature result from contributions with usage limited by donor-imposed stipulations that either expire by the passage of time or which are fulfilled and removed by actions of the Organization pursuant to those stipulations. Net assets may be restricted temporarily in nature for various purposes, such as use in future periods or use for specified purposes.

Net assets with donor restrictions that are permanent in nature result from contributions with usage limited by donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or otherwise removed by the Organization's actions.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains cash balances, which may exceed U.S. federally insured limits. Management does not believe that this results in any significant credit risk. As of December 31, 2018, $140,239 of the total cash and cash equivalents balance was held in foreign bank accounts.

Translation of foreign currencies: The Organization maintains international offices located in Singapore, Germany and Canada. The international offices maintain bank accounts, conduct business and record transactions in their local currencies. Assets and liabilities held by international offices are converted to U.S. Dollar values at prevailing rates of exchange. Gains or losses from exchange transactions resulting in foreign currency are recognized in operations.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Contributions receivable: The Organization records contributions receivable when an unconditional promise to give is received. Contributions receivable are reported as net assets with donor restrictions that are either permanent or temporary in nature unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the accompanying consolidated statement of activities. The amount of the allowance, if any, is based on prior years' experience and management's current estimates of potentially uncollectible contributions. Each gift is assessed for collectability and the allowance is reflected within the rate applied to the discount on contributions receivable.

Contributions receivable promised in a foreign currency are remeasured using the current exchange rate at the reporting date. Fluctuations in contributions receivable denominated in foreign currencies are recorded as gains and losses and included in foreign currency transactions and remeasurements on the consolidated statement of activities. Changes in exchange rates after the date on the consolidated statement of financial position could have an effect on the balance of contributions receivable. Management has deemed that it is impracticable to determine and disclose the effects.

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. As of December 31, 2018, there was not an allowance for doubtful accounts.

Inventory: Inventory is recorded at the lower of (1) cost (determined using the weighted average method) or fair value at date of donation, or (2) net realizable value. At December 31, 2018, inventory consisted of bibles and other program materials. Inventory includes donated bibles that are to be distributed to recipients during the normal course of activities. Management determines the allowance for obsolete inventory by identifying non-marketable items and by using historical experience applied to recent disbursed items. Items are written off when deemed unmarketable. In 2018, the Organization wrote off $897,470 of obsolete inventory due to bibles no longer intended to be distributed.

Investments: Investments with readily determinable fair values are reflected at fair market value based on closing values at on the last trading day of the fiscal year. To adjust the carrying value of these investments, the change in fair value is reflected in investment income in the accompanying consolidated statement of activities.

Equipment and furniture: The Organization capitalizes all expenditures for equipment and furniture in excess of $500. Equipment and furniture includes capitalized computer hardware and software and 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. 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.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Organization accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic, Property, Plant and Equipment that addresses Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Charter membership fees: Each affiliate member organization is to pay an annual contribution to PFI. The affiliates tier within the system is based on its size and annual revenues. Tier one affiliates contributed 4% of their annual revenue. Tier two affiliates contribute a flat rate of $100. Charter membership fees are recognized when received or unconditionally promised.

Ministry agreement revenue: The Organization receives conditional contributions, which are recorded as support and revenues when received and the conditions are met. See Note 6, which further discusses the agreement to which these contributions relate.

Contributions: The Organization records unconditional contributions received as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions with donor restrictions that are temporary in nature are recorded as donor-restricted support and are then reclassified to net assets without donor restrictions upon fulfillment of the restriction. Contributions with donor restrictions that are permanent in nature are reported and remain as net assets with donor restrictions. 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.

Donated goods and facilities: The Organization rents office space at a below market rate (see Note 6). The difference between the estimated rental market rate for comparable office space and the amount actually charged is recorded as donated facilities in the consolidated statement of activities. PFI also receives contributed bibles from various organizations. Donated goods are recorded at fair value when received or promised.

Ticket sales: The Organization produces a series of events by various artists to solicit sponsors to support the Children of Prisoners Program. The contribution portion of the revenue is recognized when received and the exchange portion is recognized as the events are held.

Program services: Ministry services encompasses those activities related to:

- Conducting programs in prisons around the world through agreements with selected national affiliates.
- Providing medical, educational, spiritual and residential services to the children of prisoners in developing world countries through agreements with selected national ministries.
- Supporting affiliated PFI ministries through board and staff development, training, program planning and implementation, strategic projects, material and technical assistance, ministry promotion and resource development.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: PFI 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 District of Columbia. PFI Singapore is a registered charity in the Republic of Singapore. PFI Germany is a registered charity in Germany. PFI Canada is a registered charity in Canada. The Organization has no unrelated business income. The Organization 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, 2018, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2015 through the current year remain open for examination by federal and state taxing authorities.

Use of accounting estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Recently adopted accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. This ASU was effective beginning January 1, 2018. The changes in this ASU have been applied on a retrospective basis in the consolidated financial statements.

Pending accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This ASU is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Entities should apply the amendments for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications: Certain summarized 2017 amounts have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

Subsequent events: Management has evaluated subsequent events for disclosure in these consolidated financial statements through October 10, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2. Contributions Receivable

Contributions receivable are summarized as follows at December 31:

Less than one year	$	1,482,992
One to five years		248,841
		1,731,833
Less discount to present value		(49,123)
	$	1,682,710

Contributions receivable are discounted to their present value using rates between 1.25% and 4.09%. As of December 31, 2018, the present value discount is $49,123. Receivables from foreign donors are recorded in U.S. Dollars, which reflects foreign exchange currency fluctuations at December 31, 2018.

Note 3. Equipment and Furniture

Equipment and furniture consists of the following at December 31:

Equipment and furniture	$	30,716
Computer hardware		52,926
Computer software		375,211
Total equipment and furniture		458,853
Less accumulated depreciation		(379,551)
	$	79,302

Depreciation expense for the year ended December 31, 2018, was $51,612.

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions for the following purposes at December 31, 2018, are as follows:

Subject to expenditure for a specified purpose:		
Children of Prisoners and sponsor acquisition	$	2,754,405
The Prisoner's Journey		827,501
Capacity Building		48,133
Ministry support		40,434
President Emeritus Project		81,988
Public Reading of Scripture		70,000
		3,822,461
Subject to passage of time:		
Contributions receivable		163,295
		163,295
Endowment		90,000
	$	4,075,756

Net assets with donor restrictions that are temporary in nature were released from restriction during the year ended December 31, 2018, as follows:

Subject to expenditure for a specified purpose:		
Children of Prisoners and sponsor acquisition	$	1,199,273
Capacity Building		204,431
The Prisoner's Journey		1,357,514
Ministry support		45,725
Justice programs		5,782
Other projects		124,509
Subject to passage of time:		
Contributions receivable		72,194
	$	3,009,428

Note 5. Endowment Funds

The Organization's endowment consists of three individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the relevant law: Management of the Organization 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, the Organization classifies as net assets with donor restrictions that are permanent in nature (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 net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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

Endowment net assets composition by type of fund as of December 31, 2018:

Donor-restricted endowment funds	$ 90,000

There were no changes in donor-restricted endowment funds for the year ended December 31, 2018. The donor-restricted endowment funds are classified as net assets with donor restrictions that are permanent in nature. 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 was no such deficiency as of December 31, 2018.

Return objectives and risk parameters: The Organization 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 cash equivalents, mutual funds and exchange traded funds. The Organization 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.

Note 5. Endowment Funds (Continued)

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, the Organization relies on a return strategy in which investment returns are achieved through current yield (interest and dividends).

Spending policy and how the investment objectives relate to spending policy: The Organization has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to remain consistent. This is consistent with the Organization'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.

Note 6. Affiliated Entity

Prison Fellowship USA (PF USA) is the United States of America chartered affiliate of PFI. In 2013, PFI and PF USA entered into a Ministry Agreement to foster the global expansion of the prison ministry in the United States and around the world through collaborative efforts between the two organizations. Per the agreement, PFI is to receive conditional monthly payments, which extend over an initial seven-year period. The agreement is set to automatically renew for additional seven-year terms, provided early termination has not been exercised. As of December 31, 2018, the remaining conditional promise to give for the initial seven-year term ending on May 31, 2020, totaled $962,500, which is not reflected in the accompanying consolidated statement of financial position. Revenue from the agreement is recognized on the consolidated statement of activities as ministry agreement revenue.

PFI maintains its offices in the Lansdowne, Virginia facility owned by 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 year ended December 31, 2018, was $28,919. The difference between the amount paid and the estimated market rate rent for comparable office space was recorded as both a contribution of $77,280 from PF USA and as rent expense in 2018.

Subsequent to year-end, the Organization and PF USA entered into a revised Ministry Co-Location Agreement for the term July 1, 2019 through June 30, 2021. The agreement calls for the Organization to lease 4,810 of square feet in the building for a below market month rate of $6,413 for the first 12 months and $6,606 for the remaining 12 months of the term. In the event PF USA sells the building before the expiration of the agreement term, PF USA will provide 30 days' notice to the Organization to vacate the building and the agreement may be terminated at that time without penalty to PF USA.

Note 7. Line of Credit

The Organization has two lines of credit: one in the amount of $100,000 with a bank in Virginia and one in the amount of $2,000,000 with a foreign entity. The line of credit with the bank in Virginia bears interest at *The Wall Street Journal* Prime Rate and is renewed each year. The line of credit with the foreign entity bears interest at a fixed rate of 4% with a maturity date of December 31, 2026. At December 31, 2018, the Organization had no indebtedness under either line of credit.

Note 8. 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 2018 was $48,695.

Note 9. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date on the consolidated balance sheet, comprise the following:

Cash and cash equivalents	$ 2,463,345
Contributions receivable	1,682,710
Accounts receivable	54,592
Total financial assets available	4,200,647
Donor-imposed restrictions for time due beyond one year	(106,617)
Donor-imposed restrictions for specific purposes	(3,822,461)
Donor-imposed restriction for endowment	(90,000)
Total financial assets available to meet cash needs for general expenditures within one year	$ 181,569

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and lines of credit. Based on historical experience, only the portion of contributions receivable due within one year are considered available for use in meeting annual operating needs.